

Social Scientist

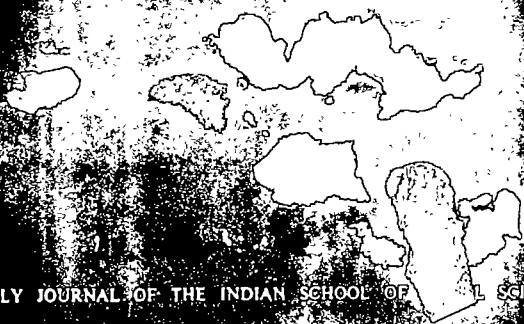


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*Articles, note and reviews express the views of the authors and not
necessarily of the editors or of the Indian School of Social Sciences.*

Editorial Note

PERHAPS the single most important feature of the contemporary world situation is the stepping up of war preparations by a crisis-ridden imperialism. The United States' economy is being rapidly militarized, so much so that according to current plans direct military spending is likely to approximate half of a trillion dollars in five years' time; together with other related items of expenditure, it will completely dominate the U S budget. This stepping up of war preparations, this escalation of military expenditure, is not simply another stage in the arms race. It portends the dreadful possibility that imperialism is getting ready to fight actual wars. US imperialism's drive for additional military bases, its establishment of a Rapid Deployment Force, its open declaration that the world's oceans are its vital sphere of influence, its depolyment of missiles in Europe, and its aggressive designs in the Indian Ocean are all indicative of its offensive intent.

Two developments are of particular significance in this context. The first is the production of the neutron bomb which represents more than a mere escalation of the arms race. The second is the actual involvement of U S imperialism in fighting a war in El Salvador. The war in El Salvador can no longer be seen only as a small-scale counter-insurgency operation of a kind that the world has got used to expect from U S imperialism wherever liberation movements challenge the existing exploitative order. The whole of Central America is in a revolutionary turmoil. Nicaragua and Grenada have already seen successful popular struggles overthrowing established, U S-backed dictatorships. U S imperialism's involvement in El Salvador represents not only a last-ditch stand to stem the revolutionary tide, but perhaps even an attempt to roll back the revolutionary advance starting from El Salvador. It is planning subversive raids on Nicaragua as well as on Cuba on the pretext that they are helping the revolutionary guerrillas in El Salvador. The war in El Salvador is not just a war to determine the fate of that country; it is increasingly

becoming a war to decide the future of the whole of Central America. For imperialism, the stakes are high; it is about to unleash a large-scale war, reminiscent of the Vietnam war, in that part of the world.

The implications of these two crucial developments are examined in the current issue. Sujit Dutta, in the lead article, explores the background of the guerrilla struggle in El Salvador, contrasts its strategic perspective with the "foco" theory of an earlier period, and analyses its implications for the future of Central America, a region spreading all the way from the Caribbean to the southern border of Mexico. Raja Mohan, in his article on the neutron bomb, draws attention to its specific significance, why it should be taken seriously as portending the possibility of an actual unleashing of war on the socialist countries by U S imperialism. To say all this of course is not to claim that war is inevitable and that nothing can be done to prevent it. But the prevention of war requires a determined struggle against imperialist war plans, and for carrying out such a struggle one has to take the war plans seriously, instead of retaining the fond belief that nothing has really changed, that the present is qualitatively no different from the past, and that some people are only crying wolf as they habitually do. We recommend these two articles to our readers for careful scrutiny.

The deepening economic and political crisis in our own country has been accompanied by a spate of savage communal riots. Zoya Hasan, in her article, explores the socio-economic basis of communalism as well as of the milieu which produces such violent riots. Drawing a distinction between communal ideology and consciousness, communal politics and communal violence, she argues that while communal ideology and consciousness is rooted in the pre-capitalist socio-economic structure which survives in our country, thanks to the compromise entered into by the bourgeoisie, it is strengthened by the tardy and uneven nature of capitalist development. The ruling class parties utilize this ideology to make political appeals along communal lines; different sections of the ruling classes utilize this communal politics to advance their particular interests; and the ruling classes as a whole utilize communal ideology and politics to keep the toiling masses divided. It is this milieu which produces recurrent communal riots. Particularly noteworthy in her article is the examination of the concrete background of a number of communal riots. We hope that her analysis will provoke a discussion on this vital issue in the pages of our journal.

Bourgeois ideology attempts perpetually to invade the ranks of the working class, and this is particularly true of bourgeois philosophy. Philosophical struggle therefore is a vital element of theoretical struggle. A number of philosophical currents alien to Marxism, ranging from positivism to existentialism, have not only enjoyed a certain vogue, but have even made inroads into the Marxist camp.

The government, however, could not survive, and in January 1961, it was replaced by a reformist civil-military junta under the "benevolent shadow" of the US-sponsored Alliance for Progress.

However, even the most elementary reforms were blocked by the oligarchy which had deep linkages with the armed forces and the US multinationals. The National Reconciliation Party (NRP), dominated by the army and the coffee planters, took matter into its own hands, rigged an election and assumed power in 1962. The situation was back to square one. Every election since then has been rigged, leaving no option to the popular forces seeking change but to take to armed struggle.

Ironically, even Jose Napoleon Duarte, the present president, was exiled from the country for raising his voice against electoral fraud in 1971 when he was a candidate. Starting in the early 1970s, an armed struggle for the liberation of the country from the US-oligarchy control spread to large sectors of the people. The guerrillas of the Popular Front for Liberation (FPL) had by then intensified their action and in 1970 named themselves after the legendary Farabundo Marti. Mass organizations were established among students, workers, peasants and various professional groups. In 1975, all mass organizations were brought under the Popular Revolutionary Bloc (BPR) led by the FPL. With the intensification of the revolutionary movement in neighbouring Nicaragua, the movement in El Salvador gained in strength. General Romero, the new dictator, retaliated by declaring a state of emergency and unleashing organized right-wing terrorism and state repression. This made the situation so unbearable that even the Church came out in support of the revolutionary movement. In a country where three-fourths of the population are Roman Catholics this was a major development. On 15 October 1979 the US, the main backer of the regime, decided that it was time for a change and supported a group of army officers, who brought down General Romero, promising reforms, political rights and amnesty for all political prisoners.

The new civilian-military government was middle class-small capitalist in character, with the Christian Democrats, Social Democrats and some left-wing groups represented in it. Emergency was lifted, some political prisoners released and elections promised under the aegis of the Organisation of American States (OAS) in 1980.

But, by the end of 1979 and January 1980 almost all the civilian politicians had resigned from the junta that had never been accepted by the revolutionary groups. They left on the ground that the control of the government remained in the hands of the right wing of the armed forces. The conversion of the land reform project, planned with the help of two US experts, from a reformist proposal to a technique in the control and repression of the peasantry was also opposed by them.

Of the five original members of the October 1979 army-civilian junta only one remains—Jaime Abdul Gutierrez, the hardline army

commander whose initial inclusion was made because of US pressure. After the resignation in January 1980 of the three civilian junta members and 24 ministers, the government took in civilians representing the oligarchy and the wealthy industrialists.

Colonel Gutierrez was joined by Napoleon Duarte of the Christian Democratic Party (CDP) to save the government from the impending collapse. By December 1980, a four-man junta had surfaced with Duarte as President and Gutierrez as Defence Minister. The offer of presidency to Duarte in December that year was a reward for his services to the Salvadoran ruling class and the U.S., which desperately tried to maintain the partial civilian character of the government. Duarte, however, was to be only a nominal head.

The junta had by then forged strong links with the two right-wing terrorist organizations comprising mercenaries, murderers and agents of the oligarchy—the White Warriors Organization (UGB) and the ORDEN, a para-military group—to crush the leftists and the popular forces.

Polarization

The polarization of forces from then onwards was rapid. The mass organizations and revolutionary groups continued to be strengthened and the BPR, the mass organization of FPL, broadened to include the widest sections of the Salvadorans. The MNR, the UDN, the left Christian Democrats, who had resigned from the government earlier, were brought under a united front of all mass organizations and democratic and left forces, including the BPR, which was named the Democratic Revolutionary Front (FDR). Among the other organizations were the United Popular Action Front (FAPU), Slum Dwellers Union (UTP), Trade Union Coordination Committee (CCS), Revolutionary Unit of El Salvadoran University Students (UR-19), the mass organization of the Armed Forces of National Resistance (FARN), February 28 Popular League (LP-28), Revolutionary Party of Central American Labourers (PRTC), the mass organization Liberation Front (LP), the Agricultural Workers' Union (UTC), National Federation of Teachers (ANDES) and the Federation of Christian Peasants (PECAS).

The guerrilla organizations fighting for the liberation of El Salvador—the Farabundo Marti Popular Revolutionary Movement (FPL), the Salvador Revolutionary Party and National Resistance—were also united under a revolutionary committee called the Farabundo, Marti National Liberation Front (FMLN). The united front tactics took the popular forces to a position of strength never attained before, and by the end of 1980 strikes and agitations had nearly brought the regime to its knees. Over 70,000 workers, thousands of teachers, health workers, and other professional groups staged agitations as the guerrillas stepped up their attacks. The USA, meanwhile, had

openly emerged as the prop behind the Duarte-Gutierrez combine.

US Intervention

Traditionally, the US has not hesitated to use a wide variety of techniques to maintain control over the region. It sent the Marines into Central America on an average once a year in the early years of the century. The CIA organized the overthrow of the reformist Arbenz regime in Guatemala in 1954 and the Bay of Pigs invasion of Cuba in 1961. The US has backed some of the most repressive dictatorships in Latin American history, such as Somoza in Nicaragua, Batista in Cuba and Trujillo in the Dominican Republic. Moreover, since the Cuban revolution the US has directed much of its efforts in the region towards the training and arming of local armies. Between 1950 and 1976, more than 17,500 Central American military officers were trained by the US in counter-insurgency programmes. They were trained to deal with popular movements termed "internal unrest" and propagandized as being part of an overall plan of "communist subversion".

The Reagan Administration came to power in January 1981 with the plan of making El Salvador a test case of its determination to halt "Soviet expansionism" in its "backyard". The Administration produced a White Paper on "Communist interference in El Salvador" in February 1981 which included a collection of allegedly captured documents in El Salvador purporting to prove massive Soviet and Cuban assistance to the guerrillas of the FMLN. The document was however found to be riddled with contradictions, guess work and plain inaccuracies. An article entitled "Tarnished Report" in the Washington edition of the *Wall Street Journal*, published on 9 June 1981, quoted the State Department planner John D Glassman as asserting that the statistics contained in the so-called White Paper had been extrapolated. It suggested that the White Paper contained mistakes, plain wishful thinking and guess work. The Reagan Administration has not added any new information to substantiate its charges and has continued to circulate it as "proof" of Soviet and Cuban intervention in the country, as the Secretary of State Haig recently did in the OAS conference at Santa Lucia.

The US attempts to persuade the world on the flimsiest of evidence that Nicaragua and Cuba were supplying the guerrillas with arms is, however, primarily designed to justify its own intervention to bolster the Salvadoran junta's genocidal war against the popular movement in the country.

The prospects of a fourth country in the region, after Cuba, Nicaragua and Grenada, breaking loose from its "backyard", and the neighbouring Guatemala also showing signs of embarking on the same path this year, have not been taken lightly by the US. As General Haig said in September last year, "a whole array of political, econo-

mic and security-related measures" were being considered to deal with the guerrillas "at the source". He has asked the US Defence department to examine measures for a possible blockade of Nicaragua or actions around Cuba such as naval exercises, a show of air power or even a quarantine—all of which would openly violate international law and sovereignty. Testifying before the House Foreign Affairs Committee in mid-November, Haig refused to rule out anything, including attempts to overthrow the revolutionary government in Nicaragua.

In the past two years the US has slowly stepped up its arms and economic aid to the Napoleon Duarte regime while goading it to carry out a Vietnam-style "strategic hamlet" land reform. American advisers, "Green Beret" anti-insurgency special troops and military officers have stepped in to bolster the regime which was on the verge of collapse following the "final offensive" launched by the guerrillas on 10 January 1981.

The day before relinquishing power in January 1981, the Carter Administration announced a 10-million dollars emergency aid to the military junta, bringing the total aid to the country for that year to 108-million dollars. By 15 February the Reagan Administration had decided to step up its intervention in El Salvador by sending more military supplies and "advisers". On 2 March, the first contingent of 208 US advisers arrived in the embattled country.² On 10 March, Reagan asked the Congress for a further 66-million dollars in military and economic assistance for the junta. During 1981, the Reagan Administration sanctioned in all 100-million dollars in economic aid and 35-million dollars in military help to the Duarte regime with the approval of the Congress. The Congress also supported the administration's decision to send military advisers in 1981 on the ground that it was aimed against "Soviet expansionism", a sickening replay of the Gulf of Tonkin incidents which led to the large-scale invasion of Vietnam.

Growing International Support

Though the Reagan Administration has shown no intention of deserting Duarte, the international climate has changed. On 28 February 1981, the Latin American Committee of the Socialist International, in a meeting in Panama City, recognized one of the parties fighting the junta, the Revolutionary Democratic Front (FDR), as a representative force in El Salvador and called for "a political solution" to this conflict. This was followed by massive demonstrations in the US and Europe in support of the popular forces and a call for ending US intervention.

By 28 August, France and Mexico came out with their historic joint declaration recognizing the Popular Front as a representative force and calling for a political solution.³ The non-aligned move-

ment and the United Nations General Assembly, in separate resolutions in December 1981, have also called for a political solution "free from foreign intervention and terror".

Barring the dictatorships propped by Washington in Latin America, Asia and Africa and their staunch allies such as Britain, Israel and South Africa, most other governments — over 80 in number — today recognize the popular forces.

The US has not apparently been deterred by its growing isolation. It is expected to increase aid to El Salvador from 250-million to 300-million dollars in 1982, which, in per capita terms, would make the tiny country of 4.5-million people one of the biggest aid recipients in the world. The immediate aim is to see the Duarte regime through till the scheduled elections in March, which, needless to say, the FMLN and the FDR have been banned from contesting.

US Military Presence

The US today has over 800 military advisers in El Salvador, the largest contingent sent to any Latin American nation since the 1965 US invasion of the Dominican Republic. ⁴ Ten C-103 transport planes arrive daily with military cargo in El Salvador to be used against men, women and children in a massive Vietnam-style "pacification programme". To strengthen the armed forces, the United States has also announced an eight-week military training programme for 1,500 Salvadoran troops in the US with the aim of enforcing the decision of the forthcoming farcical March elections on the populace. Moreover, the US is pressing the World Bank, the International Monetary Fund and the Inter-American Development Bank to provide 523-million dollars as long-term loans to the Duarte regime. It has also goaded Venezuela into rushing in petrodollars. Reagan, at his "cold-warrior" best, said, "It is not just El Salvador that happens to be the target of the movement (of international communism). Our problem is, in this whole hemisphere, keeping this sort of thing out".

The US position in El Salvador was so dangerously naive and hawkish that its own Ambassador in San Salvador, Robert White, disagreed with the basic position expounded in the White Paper of the Reagan Administration. He was promptly removed and replaced by Frederick L Chapin, who, according to the *New York Times*, was well acquainted with the area, as he was closely involved in the plans to give more military aid to El Salvador, including the sending of military advisers to that country. Chapin served in Nicaragua between 1960 and 1962 and later in Chad, which "he was hard pressed to find on the map". From Chad, he was sent to Ethiopia, where events finally overtook him, and he was declared persona non grata when the decaying monarchy of Haile Selassie was overthrown.

The US stakes in El Salvador are considerable in terms of multinational investments, trade and the political fallout from the

demonstrative effect created by a successful revolution in a strategically located area. It need hardly be stressed that El Salvador is uncomfortably close to the Panama Canal, the main shipping waterway between north and south America and close to the Caribbean Sea and Central Pacific, the main routes for the transport of Venezuelan oil, Chilean copper and Bolivian tin.

Two multinationals in particular — United Brands (Chiquita Bananas) and International Harvester — will be the worst hit if El Salvador's revolution is successful. The United Brands alone operates with a dozen and a half of its subsidiaries in this tiny country, producing a host of items ranging from flour to plastics.

The Reagan Administration's working list of options has been widely described as "ranging from A to B",⁵ because of its refusal to discuss one seemingly plausible option — negotiated settlement between the guerrillas and the Duarte regime, an option supported by the guerrillas, the Mexican-French declaration and a majority of the members of the United Nations. Having closed all other options to suit its self-image of aggressive cow-boyish brashness, the Reagan Administration has put all its stakes in a military solution — no matter how bloody and ruthless the outcome — just as successive American administrations did in Vietnam.

Reign of Terror

Over 15,000 Salvadorans were slaughtered by the security forces and the right-wing para-military groups in 1980. The figure is higher in 1981. Over 150,000 Salvadorans have fled the land and are in make-shift refugee camps scattered throughout Central America — in the Honduras, Guatemala and Costa Rica. The death rate is one of the highest in a civil war; nearly 0.8 per cent of the population has been assassinated. The repression, persecution and brutal torture of the population, including children, women and the old, have seldom been surpassed, and only the recent history of Guatemala and Chile is comparable. Under the banner of "agrarian reforms" designed by US officials, some of whom were in charge of similar programmes in Vietnam and the Philippines, nearly 100,000 people have been forcibly sent to the strategic hamlets — "pueblo estrategico" — to cut off the guerrillas' support base.⁶ The peasants have been killed off on the mere suspicion that they were supporters of the guerrilla forces, and existing cooperatives destroyed under the programme.

On 7 March 1980, the regime announced "phase one" of its "Agrarian Reform" and simultaneously announced a "state of siege", imposing censorship and suspending many constitutional guarantees.

The so-called "reform" has never proceeded beyond its first phase, under which a small amount of land redistribution was accompanied by the wholesale slaughter of peasants. As the Amnesty International has said: "A campaign of murder and abduction has been laun-

> already lost everything—husbands, fathers, sons, mothers, sisters, homes. What is there to lose now?”

The right-wing killers and the army have killed two progressive Jesuits; four American nuns working among the peasants under relief programmes have been raped and murdered, and the former Archbishop of El Salvador known for his sympathy for the popular forces was shot to death in 1980. People were mowed down by the government forces when they gathered in thousands for Archbishop Romero's funeral.

Current Situation

The revolutionary process meanwhile has continued to advance. The left wing Farabundo Marti National Liberation Front (FMLN), in alliance with the Revolutionary Democratic Front (FDR), today controls over one-third of the country of about 21,000 square km. from the Chalatenango in the north, through the Guazapa and Sachitoto in the south-east corner, dividing the country into two. Successive army offensives have failed to dislodge them or to prevent them from gradually extending their control in the rural areas. Although an immediate victory is not in sight, it has become clear that not even a massive escalation of US involvement can possibly prevent an ultimate guerrilla victory.

Even the pro-establishment *Newsweek*, in a recent report significantly entitled “Not Winning is Losing”, said: “For the US backed Government of El Salvador, a stalemate on the battlefield will not be good enough. ‘In a guerrilla war’, said Captain David Ernesto Naves of the Salvadoran Army, ‘not winning is losing’. The junta's 17,000-man force has been unable to contain the 4,000 to 6,000 guerrillas and frequently cannot hold its ground against them. They have established a strong military presence in the northern border states of Chalatenango and Morazan — and in San Miguel Cabanas, San Vicente and Usculután as well. The army is helpless against attacks on the roads, bridges and electric power stations. Radio Venceremos, the rebels' clandestine station, reaches all the way north to Mexico and south to Costa Rica”. The report added: “In only four months, the leftists have carried out 150 attacks on El Salvador's electrical system, one of the most advanced in Central America. The eastern third of the country, which has no generating capacity of its own, has been specially hard hit”. Cities such as San Miguel have lost electrical power for up to seven weeks at a time. Western economic experts say that power breakdowns have disrupted one-tenth of the nation's economy and their psychological impact has been dramatic. “In the dark”, says a priest in the San Miguel area, “the shots seem louder and the end seems nearer”. In fact, up to 75 per cent of the country has been without electricity at one time or the other. The guerrillas have demolished whole spans of bridges — 32 between January and

November 1981 alone, disrupting transportation, commercial shipping and military manoeuvres. Their biggest hit was the destruction of the Golden Bridge over the river Lempa, cutting the country's major east-west thoroughfare, and humiliating the security forces.

In the first six months of 1981, El Salvador's armed forces have admitted 1,300 casualties, including 350 killed, a grim annual attrition rate of 12 per cent for the 22,000 men serving in the army, the National Guard and other security forces.

The sabotage campaign of the guerrilla forces has had a perceptible impact on the national morale and a crippling effect on El Salvador's already depressed economy. One business enterprise in three is affected by the power cuts; the shrimp fishing and the fish canning industries have been brought to a virtual standstill. Gross domestic product has declined by about 25 per cent since 1978 and private investment over the same period is down by 70 per cent. To make matters worse, the fall in the world prices of coffee, the country's main export earner, has weakened the economy further.

Epilogue

When all this suffering will end is not clear. Indications are that they will grow in magnitude throughout the Central American region as the revolutionary movements pick up in Guatemala, Honduras, Costa Rica and Panama. The Guatemalan and Honduran forces have already let loose a reign of terror in their own countries and have also closely collaborated with the United States "advisers" and Salvadoran troops to crush the liberation movements.

The United States plans for a military intervention using Argentinian, Guatemalan, Honduran, ex-Somoza forces, Cuban expatriates and American Green Berets and Marines are on the card. Cuba has already declared a state of emergency and Nicaragua and Grenada have repeatedly drawn attention of the world to the US plans of invasion, particularly its training of troops for the purpose in the Puerto Rican island of Vieques. The United States is also training Salvadoran troops for the purpose. How far such designs will succeed, given the changed international climate and the opposition to any such move by France, Mexico, most European and non-aligned countries and even some of the Latin American countries such as Brazil, is doubtful.

Ten years ago, the anti-imperialist struggle in Latin America was mainly concentrated in the southern cone of the continent — Chile, Argentina, Brazil and Uruguay. Today, Central America and the Caribbean are the weakest links in the chain of United States imperialism. Given the strategic importance of the region, straddling as it does the Panama Canal and the Caribbean Sea, and the bellicose policy of a near-fascist United States leadership, it is likely that the revolutionary process will have to wade through a river of blood

before it succeeds. The guerrillas in El Salvador and elsewhere for the moment are winning and with stepped up international support and mass opposition against the United States intervention, already prominent in several countries including the United States, the Cuban, Nicaraguan and Vietnamese examples are likely to be followed.

- 1 The notorious role of this all-powerful multinational in the politics of Central America is well documented. It was responsible among other things for the CIA-backed overthrow of the popular Arbenz government in Guatemala in 1954. See David Horowitz, *From Yalta to Vietnam*.
- 2 According to the estimates of guerrilla sources, US advisers constituted 10-12 per cent of the officers of the Salvadoran armed forces at that time.
- 3 The statement specifically called for a "new internal order" in which the armed forces, backed and aided by the United States, "will be restructured and the conditions created for the respect of popular will."
- 4 According to guerrilla sources, at the end of July 1981 itself the proportion of US "advisers" among the officers of the Salvadoran army had risen to 30 per cent.
- 5 See *Newsweek*, 4 January 1982, p 36.
- 6 Professor Ray Portsman, under whose supervision the "agrarian reforms" were launched in El Salvador, had been involved in similar type of work in South Vietnam during US occupation.
- 7 See the report of the Amnesty International, 15 October 1980.

C RAJA MOHAN*

Neutron Bomb: The American Dream and Global Nightmare

THE Reagan Administration decided in August 1981 to start the production of the neutron bomb. The weapon would soon be ready for deployment in Europe. It was perhaps meaningful that the announcement coincided with the anniversary of the bombing of Hiroshima. The decision, which makes a nuclear war more likely, has caused consternation and outrage in Europe and roused the fears of a "Euroshima". And the debate on the neutron bomb has been renewed. In 1977-78, President Carter had mooted the idea of placing neutron weapons in Western Europe. The upsurge of popular protest against these weapons forced Carter to retreat by ordering a deferment of the production of the bomb. He, however, allowed the production of neutron bomb components from October 1978! Thus the bomb has been in production for three years and Reagan's decision is only the latest phase in the long history of its development.

However, Reagan's decision acquires a sinister significance, given the rapid deterioration in the world political situation resulting mainly from the aggressive and conformationist US global policy. This move towards a revival of cold war hysterics began in the latter part of Carter's reign. The United States sought to project that it was the Soviet intervention in Afghanistan which marked the erosion of *detente* and the rise in tensions. But the roots of the new cold war are deeper and precede the Afghanistan crisis. The deepening economic crisis in the West, the growth of militarism in Western economies, the resurgence of the "new right" in the US, the Western perception of their decline in the post-Vietnam and post-oil crisis era— all these were before Afghanistan became an issue in international politics. The American failure to ratify SALT-II (Strategic Arms Limitation Treaty-II), its decision to introduce a new generation of nuclear weapons in Europe, the "three per cent" solution (of increasing NATO countries' defence expenditures annually by 3 per cent in real terms), the creation of a Rapid Deployment Force for intervention

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in the Gulf, all took place before the Soviet Union intervened in Afghanistan.

This process of shedding the Vietnam-induced inhibitions on American adventures abroad, the generation of cold war hysteria against the Soviet Union, blatant interventionism in the Third World acquired a new dimension with the storming of the White House by "cowboy" Reagan and his Californian "mob". Under Reagan, the US military budget soared to dizzy heights—a total of 1.3 trillion dollars to be spent by 1985. It is in this context of the militaristic efforts of Reagan to fit the world of 1980s into a vision of 1950s—a kind of "forward march into the past" — in the context of his drive to take the world on to the nuclear precipice that the debate on neutron bomb must be located.

Technology of the Neutron Bomb

The neutron bomb has been described as the weapon which "kills people and leaves property intact"; for this reason, some of the peace groups have called it the "ultimate capitalist weapon". These descriptions are a bit misleading. The neutron bomb, or more correctly the enhanced radiation warhead, is the most recent development in the US military's search for a "cleaner" and more usable nuclear weapon. The enhanced radiation warhead is designed to kill more enemy soldiers per kiloton of explosive yield detonated over the battlefield than the types of nuclear weapons currently deployed for that purpose. The proponents of the neutron bomb claim that in a European battle the neutron bomb, while killing the Soviet soldiers, particularly the tank crews, would minimize the collateral damage to buildings, the countryside, friendly soldiers and nearby non-combatants. The US dream is that in the European theatre, with the neutron bomb, the NATO forces can immobilize the superior tank force of Warsaw Pact, minimize the damage to Western population, and move in their troops victoriously.

It must be noted that there is nothing new about neutron bombs. The US military has been considering them ever since nuclear weapons graduated from fission (uranium and plutonium) to fusion (hydrogen) bombs. The Lawrence Livermore Laboratories in California worked on neutron warheads throughout the 1950s and the 1960s. The neutron bombs are basically small hydrogen bombs, meant for battlefield use. In a hydrogen bomb, the fusion of two heavy hydrogen isotopes — deuterium and tritium — into an atom of helium releases a large number of neutrons, with vast amounts of energy, flying in all directions. They easily penetrate tank armour and house walls. Passing through the human body, they destroy its cells, causing quick or slow death; depending on the amount of neutron radiation absorbed.

The technological novelty of the neutron bomb is rooted in the

differing features of fission and fusion explosions. The effects of a nuclear explosion, of either variety, comprise blast (a shockwave of overpressure), thermal radiation (heat), prompt radiation (mostly neutrons and gamma rays) and residual radiation (radioactive fallout resulting from decaying fission products). The energy released in a fission explosion is divided into several fractions: typically, 50 per cent blast, 35 per cent heat, 5 per cent prompt radiation and 10 per cent residual radiation. It is the possibility of increasing prompt radiation in the form of neutrons which led to the development of enhanced radiation warheads. The warhead was found to be effective when the yield was one kiloton or less.

The claim of the proponents of the neutron bomb that it has very little collateral damage on property and civilians is an extremely dubious one. The neutron bomb is not close to being a pure fusion weapon. There is a fission component which acts as a "trigger" to the fusion reaction. The maximum fusion content achieved so far has been around 70 to 75 per cent. In the neutron bomb, while radiation is achieved, significant blast and heat effects do exist and cause great property damage. In addition, the enhanced neutron radiation would produce human casualties at distances greater than those caused by an ordinary nuclear weapon of the same yield. It is an illusion to believe that neutron bomb is a collateral damage-free weapon.¹

Decline and Rise of the Neutron Bomb

The US military first tested the neutron bomb as early as 1963. At that time the Pentagon studied the possibility of using these weapons in Europe. The studies showed unacceptable civilian casualties and proved that the use of these weapons in an European war need not necessarily turn it to the advantage of the NATO forces. It was also thought that the development of these weapons would increase the risk of escalation to an all-out general nuclear war. Weighing these factors, the then US Secretary of Defence, Robert S McNamara, shelved the neutron bomb project. By the early to mid-1970s, the neutron bomb began to blaze its great come-back trail. Two sets of factors enabled this revival. The first one was technological. By the early 1970s, the US military had achieved a breakthrough in the technology of effective miniaturization of nuclear warheads. The Pentagon by that time had also made great strides in the development of precision guided missiles. This technology enables the American forces to attack Soviet targets with tremendous precision and deadly accuracy. These technological factors led to the feasibility of developing small nuclear weapons for battlefield use. The technological developments were reinforced by the set of political and strategic factors. Politically, the steady rise of the Soviet Union in the global system and its ability to match American power was proving

disconcerting to the US military establishment. Strategically, the elevation of the doctrine of a 'limited' and 'winnable' nuclear war to the status of official orthodoxy in the military thinking of the US and NATO was crucial in the reincarnation of the neutron bomb. It is this theory of limited nuclear war which must be analysed to unravel the significance of the neutron bomb. It also holds the key to the understanding of the other major issue before the European nuclear disarmament movement — the introduction of Pershing and Cruise missiles in the NATO nuclear arsenal in Europe.

Limited Nuclear War and Tactical Nuclear Weapons

The neutron bomb and the Cruise and Pershing missiles are all categorized as tactical nuclear weapons in the military jargon. Tactical nuclear weapons are different from the strategic nuclear arsenal in the sense that they are of smaller yield and of shorter range. The essential difference, however, is one of intent of use — the strategic ones are meant for an all-out nuclear war and the tactical ones for a smaller so-called theatre nuclear war. In Europe, in the US nuclear arsenal alone there are about 7000 tactical nuclear weapons containing a combined explosive power of about 200 times that released in Europe during the entire Second World War. These weapons were deployed by the US in the cold war period of the late 1950s. The objective of the US was to deter Soviet "aggression" in Europe, and as part of its cold war strategy of rolling back communism.

There was an ambivalence in the attitudes of the governments of Western Europe to these tactical nuclear weapons. In the prevailing winds of cold war, the Europeans view them as important not so much for fighting a nuclear war, but as a "link" to the US strategic nuclear forces. That is, in the event of a military conflict with the Soviet Union, the US nuclear force would definitely have to get involved; this in itself would be a deterrent against Soviet "threat". This ambivalence receded to the background with the de-escalation of cold war tensions, rise of *detente* and the consequent arms control efforts. The West Europeans, particularly the West Germans, have considerable stakes in *detente*. With Reagan burying *detente* and reinventing the myth of Soviet threat, the West European ambivalence towards tactical nuclear weapons has become acute. While the US sees the modernization of tactical nuclear weapons and deployment of neutron bombs as crucial to its strategy of limited nuclear war, the West European governments are not so certain, and vacillate. The vacillation is also forced by the mounting protests against these weapons by the European people, who refuse to swallow the myth of Soviet threat.

To understand the significance of the limited nuclear war, it is essential to trace briefly the evolution of the American nuclear doctrine. The US which developed nuclear weapons during the Second

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World War and used them on Japan in spite of the Japanese willingness to surrender, saw nuclear weapon as the trump card in its game of global dominance and hegemony. Even though the Soviet Union acquired nuclear weapons in the cold war period, the American nuclear superiority was overwhelming in this era. In this period of "rolling back communism", the American nuclear strategy was called "massive retaliation"—any Soviet move to be countered by an all-out nuclear attack. As the Soviet Union developed ICBMs (Inter-Continental Ballistic Missiles) in the 1960s, and hence the ability to reach the American mainland, the massive retaliation theory became less credible. Against the background of the relaxation of tensions after the Cuban missile crisis, the US moved towards the doctrine of "mutually assured deterrence" (MAD for short). Western strategic thinking accepted that in any nuclear war there would be no victors or the vanquished. It would be a holocaust in which the survivors would envy the dead. The strategy of assured deterrence was the corner-stone of *detente* and was crowned by SALT-I of 1972. The major fact of life that had to be contended with was the now existing broad nuclear parity of the United States and the Soviet Union.

It was this fact, that the Soviet Union had risen from a position of nuclear inferiority in the 1950s to one of nuclear parity in the 1970s, which was unacceptable and indigestible to the US military establishment. Even as SALT-I was formalized, the US war machine began its search for a way out of this nuclear parity and regain nuclear superiority. This process gathered momentum when James R. Schlesinger became the Secretary of Defence in 1973. He unveiled the strategy of "flexible response" and discarded the theory of assured deterrence. The development of the capability to launch, wage and win a nuclear war in Europe was a major component of the new doctrine. For this it was necessary to selectively and accurately strike against the Soviet targets, such as moving tank columns, while hopefully limiting damage to West European property and population. It was into the fulfilment of the requirements of such a strategy that the revival of the neutron bomb fitted very well. At a general level it was also believed that a "controlled nuclear war" could be fought with the Soviet Union. The new American strategy formulated that by attacking Soviet military targets, command, control and communication (C³) systems and the political head of the Politburo itself, the nuclear war could be won and the Soviets could be forced to negotiate the termination of the war on American terms. The strategy also assumes that the damage in such a war to the US and its allies would be "small" and "tolerable". This doctrine was formally put into operation by President Carter in 1980.

Mythology of the Limited War

The apologists of the neutron bomb and the limited nuclear

war have advanced a number of justifications for such a strategy. A major argument is that the Soviet Union never believed in *detente* and has continuously emphasized nuclear war-fighting capability. Evidence: Soviet strategic thinkers extolled the Clauswitzian dictum that "war is a continuation of politics by other means". A comprehensive Western analysis of the writings of the Soviets on nuclear war clearly exposed the distortion by the American writers and proved that the Soviets do not believe they can win a nuclear war.² In a more spine-chilling fashion, some Americans have argued that the Soviet Union, which lost 20 million people in the Second World War and yet grew from strength to strength might be willing to risk such consequences and calculate to fight and win a nuclear war. This nauseating argument needs no rebuttal.

Is the American design to wage and win a limited nuclear war, a "nuclear war without tears" as it were, a feasible one? A limited or controlled nuclear war is a game two need to play, both abiding by certain rules and agreements for keeping the nuclear war within limits. Then do the Soviets subscribe to a theory of limited war? The Soviets have made it amply clear that they do not see the possibility of limiting a nuclear war. Soviet nuclear doctrine states emphatically that any nuclear exchange would lead to an all-out nuclear war. "It is hard to imagine that nuclear war, if launched, could be held within the framework of the 'rules' and not grow into a general war".³ The Soviet position that the inexorable logic of a nuclear war would make it impossible to limit or restrict a nuclear war and would result in a nuclear holocaust is shared by respected Western strategic thinkers. Lord Mountbatten, two months before his death, revealed that he had advised the British government, when he was the commander-in-chief of the British General Staff, against entertaining any strategy advocating limited nuclear war. Lord Zuckerman, former chief scientific adviser in Britain, disbelieved that "any scenario exists which suggests that nuclear weapons could be used in field warfare without escalation resulting. I know of several such exercises. They all lead to the opposite conclusion".⁴ A recent study on the possibilities of waging a controlled nuclear war, purely from the point of view of command and communication systems in a nuclear war situation, has concluded that controlled nuclear war is a "chimera".⁵

Moving Towards the Nuclear Precipice

It is clear that once a nuclear attack is initiated, it cannot be kept restricted and would end up in a general nuclear war and holocaust. The American nuclear strategy of limited war is pushing the world towards such a danger. It also undermines the "firebreak" hitherto separating nuclear weapons from conventional weapons. The American pursuit of limited nuclear war with neutron bombs and other tactical nuclear weapons, and the underlying idea that

nuclear weapons can indeed be used, lowers the threshold for a nuclear doomsday. In its desperate bid to hold on to its slipping global supremacy the US might not hesitate to use nuclear weapons. Towards this end, it is trying to get the people of this world accept the idea of a limited nuclear war.

The Europeans are not amused by the idea of a limited nuclear war, which would destroy Europe, in order to save it from an alleged Soviet threat. They are vigorously resisting the deployment of neutron bombs and the modernization of NATO's nuclear forces. This resistance could go a long way in foiling the designs of US imperialism for a nuclear war. Peace-loving people all over the world would be waiting anxiously for the success of this resistance movement. Those of us in the Third World should note that the nuclear plans of the Pentagon are not confined to Europe alone. The US war machine has been openly talking about the use of nuclear weapons in the Arabia-Persian Gulf region as a last resort to defend its interests, in the event of any threat to those interests.⁶

- 1 Fred M Kaplan, "Enhanced Radiation Weapons", *Scientific American* (New York), Vol 238, No 5, May 1978, pp 44-51.
- 2 Robert L Arnett, "Soviet Attitudes towards Nuclear War: Do They Really Believe They can Win?" *Journal of Strategic Studies* (London), Vol 2, No 2, September 1979, pp 172-191.
- 3 G A Arbatov, "The American Strategic Debate: A Soviet View", *Survival* (London), Vol. 16, No 3, May/June 1974, pp 133-134.
- 4 Lord Zuckerman in Franklyn Griffiths and John C Polanyi (eds), *The Dangers of Nuclear War*, Toronto, University of Toronto Press, 1979, pp 164.
- 5 Desmond Ball, "Can Nuclear War be Controlled?" *Adelphi Papers* (London), No 169, Autumn 1981.
- 6 "US Nuclear Strategy", *8 Days* (London), 30 October 1981; *Indian Express* (New Delhi), 3 February 1980.

ZOYA KHALIQ HASAN*

Communalism and Communal Violence in India

THIS paper attempts to examine the socio-economic basis of communalism, in particular of the political compulsions behind communal violence in post-independence India. It suggests that the process of fragmented and uneven capitalist development has created conditions of backwardness which, in turn, have facilitated the growth of communalism. Economic stagnation has led to a situation in which certain groups treat each other not only with suspicion and hostility, but also as rivals in the scarce market for jobs, concessions and subsidies. It is also our contention that various forms of tensions, among Hindus and Muslims in particular, have assumed corrosive proportions because the bourgeois political parties have, quite successfully, deflected intra-class and inter-class contradictions into the stream of community and communal consciousness to serve their narrow ends. An investigation of some of the major communal riots reveals that various powerful interests—economic and political—play a vigorous part in fomenting communal conflict.

Genesis of Communalism in the Colonial Period

The emergence of communalism is often attributed to the establishment of "Muslim" rule in India. This is because the Sultans of Delhi consciously followed a "discriminatory" policy towards the Hindus, reflected in the demolition of temples and in the imposition of *jizia*,¹ while the *ulama*, acting as guardians of orthodox Islam, encouraged their followers to maintain their identity by rejecting Hindu influences on their social life.

The more extreme inferences drawn from this view of the mediaeval Indian state have been effectively challenged by some historians,² who reject the view that Hindu-Muslim relations in mediaeval India were characterized exclusively by strife and confrontation. It is argued on the basis of contemporary evidence that the vast majority of Indians lived together without overt communal antipathy or bitterness. The attempted integration between communities was evident at the *Khanqahs* of Sufis: as institutions of

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cultural adaptation, the *Khanqahs* provided a means of incorporating Hindu religious customs and beliefs into an eclectic system. But it was found convenient by the colonial rulers to ignore this reality; there can be no doubt that the British played an important part in heightening communal consciousness and in giving credence to many stereotyped notions about various communities. They laid special emphasis on the conflicts and divisions in mediaeval Indian society in order to underscore the unifying and centralizing impact of the British rule as well as to counter the claims of the Indian National Congress to represent all classes and communities of Indian society.

The British government singled out the Muslim community for deliberate repression in the years immediately after the Mutiny of 1857.³ The policy was subsequently replaced by one of appeasement of Muslims. The success of these policies was made possible by the uneven development of the various communities, as indeed of various regions. Except for the United Provinces where they were relatively better placed in the professions and government service, Muslims were economically and educationally a backward community.⁴ They formed an insignificant portion of the rudimentary Indian bourgeoisie, being far removed from the commercial and industrial centres of the Empire—Calcutta, Bombay and Madras. It was for this reason that leaders like Sir Syed Ahmad Khan claimed special concessions and safeguards. Above all, they saw the future progress of the Muslims as inextricably linked with the fortunes of the Raj. Syed Ahmad Khan, in particular, professed and preached loyalty to the government: this was the corner-stone of his politics.

The British government recognized the necessity for enlisting the support of the Muslims and extended special favours to them in recognition of their "historical importance".⁵ The introduction of separate electorates was one such favour: it was also seen as a counterpoise to the growing strength of the anti-colonial movement. The principle of communal representation inevitably leads to the "creation of political camps organised against each other and teaches men to think as partisans and not citizens".⁶ The Hindu-Muslim differences are significant, observed Lord Ronaldshay, Governor of Bengal from 1917 to 1922, since "the divisions are not only those due to religious belief and practice, but to a profoundly different outlook on life resulting in social systems which are the very antithesis of one another".⁷ Such notions established a Muslim identity in Indian politics and encouraged the growth of communal alignments.

To treat Muslims as a distinct political interest was a conscious, but mistaken, policy pursued by the British colonialists. The Muslim community, like the Hindus, was divided at all levels—political, economic and ideological. Its political interests were not alike; they varied from class to class and from region to region. These contradictions came to the fore at the end of 1917 when

Montagu and Chelmsford received 44 deputations from Muslim bodies each claiming to speak for the community. This made nonsense of the communal categories created by the colonial rulers.

It is noteworthy that the Congress did not successfully challenge the assumption made by the British rulers about Indian Muslims. In fact, they also assumed that Muslims possessed common economic and political interests and were distinct from Hindus. This was the logic in negotiating the Lucknow Pact of 1916.⁸ By approving the principle of communal representation, the Congress was guilty of accepting and perpetuating the misleading and artificial communal categories created by the imperialists.

After 1916, the Congress continued to dwell on the unity of Hindu-Muslim interests, but having agreed to negotiate on the principle of communal representation, there was no wriggling out of it. This was made difficult by those privileged Muslims who had secured major political concessions under the Acts of 1919 and 1935. Now it became convenient for them to assert their communal identity, which had the British approval, to secure a strong position in the new power structure.

The Congress mass mobilization campaigns also had severe limitations. Many Congress campaigns built a following by exploiting narrow sectarian and religious issues. It is common knowledge that the Congress was closely identified with Hindu institutions and its leaders were connected with cow-protection societies, the Nagari agitation, the Shuddhi Sabhas, the Arya Samaj, and the Hindu Mahasabha. They used Hindu symbols—the cult of Kali, Ram Rajya, Ganapati—and religious fairs and festivals for nationalist mobilization. In Maharashtra, Tilak and his followers employed the cult of Shivaji in their mobilization campaigns. Similarly, the Swadeshi movement in Bengal, notwithstanding its contribution to the anti-colonial struggle, had unmistakable revivalist overtones. In the United Provinces, several Congressmen, supported by traders, bankers and landlords, actively campaigned against cow slaughter, patronized the Hindi Sahitya Sammelan, the Nagari Pracharini Sabha, the Arya Samaj and Gaurakshini Sabha.⁹

This is not all. The national movement, led by the Congress, failed to organize any systematic ideological campaign to combat the forces of reaction and revivalism inside and outside the Congress organization. This was not possible because the movement was built on the premises and structure of the traditional Indian society. Not being revolutionary in character, the Congress-led agitations were constrained to rely on and use the existing narrow levels of consciousness. Not surprisingly, the glory of India's past formed a constant refrain in the argument of the nationalists to mobilize support for democracy and freedom. This provided an impetus to revivalist thinking and ideology, culminating in compromises with and defence of the

existing social system.¹⁰ In different ways and at different times Tilak and Gandhi represented these tendencies in the national movement. They harnessed revivalist energies to promote the Congress cause.

The effect of this was the emergence of a nation plagued with the divisive forces of casteism and communalism. This could not be otherwise as long as anti-feudalism was not the basis of the democratic revolution which could unite all classes and groups against imperialism and landlordism. The democratic movement of the Congress was not built on anti-feudalism; in fact, it was grafted on the compromise with feudalism and feudal institutions. This resulted in the

surrender of the modern intelligentsia before the indigenous feudal land relations which sustained the caste system. Not that subjectively there was no caste consciousness, for it was inevitable if you accepted the basically unjust agrarian structure. ... Such was the double-faced intelligentsia of the earlier years. Espousing the aims and interests of the rising bourgeoisie, proclaiming new democratic values, it attacked the imperialists but at the same time allied itself with the old feudal order and institutions and explained such alliance as concentrating fire on the foreign enemy first.¹¹

For this reason, the Indian National Congress, which claimed to represent all classes and communities, was challenged by the Muslim League, the Justice Party and other organizations of the non-Brahmins in Madras and Bombay Provinces.¹² These organizations demanded separate electorates for minorities and reservation for backward castes and communities. Congress leaders blamed such slogans for obstructing progress and development, but some of its leaders were in no small measure responsible for paying obeisance to obscurantist ideas and practices.

The origins of communalism, as indeed its perpetuation in the post-independence period, can be grasped by taking into account a number of important factors. Firstly, communal identities existed in the pre-colonial period, but communalism and communal politics took shape and acquired divisive proportions in the colonial period. Imperialist manoeuvres, manifested sharply in the British policy of "Divide and Rule", created artificial divisions and fostered the growth of communal organizations and of communal politics. Secondly, the anti-colonial movement led by the Congress compromised with communal elements and with pre-capitalist forms of consciousness; consequently, the movement witnessed a low level of struggle and had to rely on narrow levels of consciousness prevailing in Indian society. Thirdly, the incompleteness of the anti-feudal revolution created

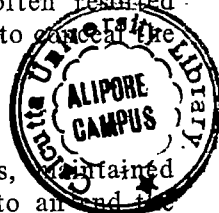
> conditions of backwardness in which the communal ideology found a fertile soil to grow. Finally, the political and economic crises of the system produced conditions in which intra-class and inter-class rivalry and competition were aggravated. The ruling classes often resorted to the communal strategy as a diversionary tactic to conceal the weakness and fragility of the system.

Underdevelopment and Communal Politics

Many Indian leaders, particularly of the Congress, maintained that the withdrawal of the colonial power would bring to an end the communal disputes and animosities. How unprophectic this belief was is proved by the subsequent history of communal relations in post-independence India. The communal problem still persists. The promised era of communal harmony has eluded us and the hope of establishing a secular society has not been fulfilled. Class interests have failed to transcend religious and caste loyalties; consequently, organizations based on sectional and communal appeals have undermined the solidarity of the working people.

Communalism has been exacerbated by many factors. Some arise out of the inherent contradictions in the social and political system, the nature and character of the anti-imperialist movement earlier discussed, and the traumatic experience of partition in 1947. Yet, the resurgence of communalism is often sought to be explained either as the logical consequence of Muslim separatism, or in terms of the persistent Muslim opposition to changes in the Islamic Personal Law. On the other side, it is explained in terms of the ideology of the "Hindu Rashtra" and the anti-Muslim posture of the Rashtriya Swayamsevak Sangh (RSS) and its allies.

The contemporary energy of communalism is derived from the landscape of fragmented and uneven capitalist development. Capitalist modernization, under colonial auspices, inducted various groups and communities into its fold at disparate levels and at different stages. Muslims, in particular, were late entrants in the process because their proximity to the bureaucratic, judicial and economic structure of feudalism made it harder for them to adjust to new professions.¹³ Their hardship was caused by the general decline of feudalism, the decay of traditional crafts, and the steady erosion in their landed status. Finally, their dominance of judicial and executive services was challenged because unlike "the early years (when) these positions could be plucked from the family trees or on the basis of landownership, with the increasing pace of modernization these ascriptive criteria began to be discarded. The status of the landed gentry atrophied as government began gradually to take over all the residual administrative functions. Besides, the very basis of landed status was continuously eroded by the rise of the powerful commercial classes (mostly Hindus) who besides achieving status were buying up



their land".¹⁴

Displacement and loss of privilege, combined with the militant posture of Hindu communal groups in the post-independence period, sustained Muslim insecurity and provided the basis for their communal loyalties and alliances. The logic of this has to be located both in the process of development and in the structure of politics. The communal logic operates vigorously in the backward regions of Uttar Pradesh and Bihar and not so much in Andhra Pradesh, Kerala and West Bengal. The anti-colonial movement in the former areas drew on revivalist energies and on the political efforts of religious leaders who exhorted the people to revolt against the alien presence. The political space, in the absence of social reform movements, was occupied by religiously inspired nationalism. This, no doubt, sustained the nationalist movement, but only at the expense of providing encouragement to separatist and communal politics. Economic development in the post-independence period was retarded and slow; consequently, politics and mobilization took place around individuals, factions, and communities rather than on the issues of development and reform.¹⁵ Hindus and Muslims have been interlocked in a competition for survival and advancement, magnified against the backdrop of underdevelopment. The warp and weft of economic and political underdevelopment constitute the communal fabric of North Indian society. Instances of increasing competition are quite numerous. Certain areas in western UP, where the communal phenomenon has acquired inflammatory proportion, constitute a case in point. Here Muslims have come to occupy a relatively influential position in the economic and political life of the region which has seemingly threatened the hegemony of existing Hindu commercial groups. On the brute fact of economic competition is superimposed cultural antipathy, religious animosity, linguistic prejudices and, above all, the memories of Partition.¹⁶

The communal imperative has proved a lot more self-perpetuating in the case of minorities.¹⁷ Their perception of being the "threatened group" has made them to lean on the government and, in a peculiar way, enmeshed them in the intra-class contradictions of the ruling elite. Often drawn into the vortex of politics, they have given primacy to the protection of political interests rather than to the alleviation of their economic backwardness. But their preoccupation with politics has only helped to marginalize them further in the new economic infrastructure and processes of development.¹⁸ Moreover, the compulsions of ruling class politics permit political concessions to Muslims only in a limited sphere—the preservation of the minority character of Aligarh Muslim University or the Muslim Personal Law—but not in the form of granting concessions to Muslim weavers in Bihar and U P. The latter, if granted, would boomerang on the ruling party because it would be construed as "surrender to Muslim

interests".¹⁹

Communalism has also been sustained by the structure and pattern of political mobilization. The communal calculus, derived from the existence and persistence of traditional interest groupings based on caste, religion, language and region, is the organizing principle for articulation.²⁰ Bourgeois party politics has legitimized these groupings, particularly at the time of elections. Mobilization strategies of most parties relying heavily on communal, caste and regional networks have found it convenient to organize people on such a basis. Thus in various ways communalism serves the interests of the dominant classes. Yet it is equally in their interest to deny overt legitimacy and recognition to communal interests. They do so in different ways. For instance, while denouncing the Muslim League in the North as a blatantly communal party, the Congress courts its counterpart in the South by assuming its non-communal character. This is in keeping with its view of secularism which is not based on the complete separation of religion from political and civil activity. Rather, the secular state in India enjoins diverse religious and ethnic groups to participate in political activity and partake of the benefits of government largesse distributed on a pluralist basis.

The Congress has mastered the game by an adept handling of these networks during elections and in the dispersal of patronage to groups and powerful individuals. This has led many observers to view the Congress system as essentially a bargaining counter of contending interests jockeying for power and influence.²¹ But minorities are generally debarred from the bargaining game because their community label embarrasses and upsets the secular pretensions of the Congress. This was convenient because Muslim electoral support has rarely depended on the redressal of their grievances, for the Congress has invariably relied upon conservative elements amongst Muslims—*mullahs* and *imams*—for “delivering” votes. This strategy has paid rich dividends. In addition, Muslims were appeased by elevating a few from the community to exalted positions in government. The benefits of such a calculated policy, designed to perpetuate the Muslim illusion of Congress benevolence, have accrued almost entirely to either the upper crust of the community or to those who claimed special favours on the basis of their role in the freedom movement.

The democratic process in India has also failed to weaken caste and communal solidarity. In fact it has strengthened them; religious sentiments are encouraged by political leaders who patronize religious functions and consult religious leaders. Communal consciousness is heightened in the process. With the exception of communist parties, most parties have played the communal game with remarkable ease and dexterity. They have, in the pursuit of power, forged alliances with communal organizations and made concessions to their communal sentiments. This style of politics has been much

more in evidence since the late 1960s. Therefore, it is not surprising that communal riots surfaced in the mid-1960s, coinciding with the beginning of a prolonged period of political instability and centralization.

The period from 1950 to 1960 was relatively free from communal riots. This can be explained by the existence of political stability and relatively unimpeded economic development. In the mid-1960s, however, a severe economic crisis faced the country, a crisis which profoundly influenced political alignments and party structures. Such developments necessitated the need for a populist strategy of mobilization, particularly for the ruling party, in order to keep its following intact. Such a populist strategy was not shy of using communal solidarity to garner support for the party. Politics in the Nehru era, on the other hand, stressed independent political initiative for developing the public sector, heavy industries, planning, self-reliance. Above all, it stressed the values of secularism and democracy. These elements and categories were gradually withdrawn from the Congress pantheon and replaced with more personalized politics, populism and coercion. In such an environment, various strategies were employed to overwhelm political opponents, and to legitimize both communal politics and communal groupings.

Diversionary Impact of Communal Consciousness

Communalism has served a pernicious function by diverting attention from the objective condition of the systemic crisis and its implications; instead, people tend to accuse the other community for their troubles. In this sense communalism has provided cover for the pursuit of class policies and strategies. In Ferozabad (1972), the class contradiction was sought to be concealed by the communal division of Hindu owners of bangle factories and Muslim craftsmen.²² Many Muslim craftsmen owned independent units before partition which were burnt down. As a result, they resented their dependence, howsoever inevitable, on Hindu factory owners. This generated tremendous solidarity and identification with their co-religionists and, in the process, "they jealously safeguarded their communal identity craft which gave them their livelihood".²³ Their insecurity was aggravated by industrial competition. They blamed the other community rather than the structure of ownership for their difficulties. Being divided and fragmented they fell easy prey to the machinations of the factory owners, who, under communal cover, extracted administrative support to unleash their oppression. The class and communal factors intertwined to the advantage of the ruling interests who used it to disrupt and divide the working class movement.

Communalism is also utilized to cut into the support base of the left. This happened in Karimganj (1968). It is no coincidence that the communal outburst started on the day when the communists

organized a massive demonstration of evicted tea garden workers. The demonstrators included approximately 1,500 Muslim labourers. The slogan of communal solidarity was raised to break the unity of the workers. Subsequent events proved the utility of the communal bogey; it was an effective bulwark against the rise of communism in the area.²⁴

On the basis of such instances, it is possible to argue that communal riots are not caused spontaneously; also, they are rarely caused by simple religious animosity.²⁵ Religious and cultural differences exist, but these rarely manifest themselves in organized antagonism. Differences assume antagonistic proportions at the behest of political interests in a particular region which, in turn, operate on a specific economic situation. These forces vary in different regions. In general, however, those towns which have a large Muslim population as well as substantial numbers of refugees from Pakistan are prone to communal tension. Here, too, Muslim presence is resented not for religious reasons; the competition for jobs and positions is the underlying source of tension. Economic stagnation and rising unemployment heighten competition among segments of the petty bourgeoisie for the scarce opportunities. Perhaps, for this reason, the petty bourgeoisie is susceptible to communal arguments articulated in a populist genre. Communalism-populism fetches economic gains not only for the middle class in provincial towns, but also political benefits for political parties representing those interests.

Communal riots in western U P conform to the above pattern. The complex interplay of intra-elite competition and communal politics can be discerned in Aligarh (1978), Firozabad (1972), Moradabad (1980) and in Sambhal (1980). These cities are characterized by the existence of affluent Muslims who seemingly threaten Hindu dominance. Moradabad furnishes a case in point.

It is now well-known that the relative success and prosperity of Muslim businessmen in recent years was the cause of much antagonism in Moradabad. In the brassware trade, in particular, Muslims received extensive orders from West Asia which provided an impetus to their trade and industry, attracting workers from the neighbouring districts. They now had sufficient capital to purchase sophisticated tools, to own property, to spend on education, and to initiate new ventures. All this generated hostility among Hindu traders who faced the cheerless prospect of losing out to their counterparts among Muslims. The spectre of Muslim dominance, facilitated by Arab money, was raised. Fears were also expressed regarding the creation of a "Pakistan in the heartland of Rohilkhand". These were skilfully exploited by the Jana Sangh elements who, having lost their seats in the 1979 elections, were striving to regain their political dominance in the area. Aided by various communal factions in the local Congress Committee and generously financed by the Hindu traders, the Jana

Sangh, now organized under the banner of the Janata Party, created a climate of hatred and suspicion which culminated in serious communal rioting. True, violent outburst was exacerbated by the callousness of district officials and the overtly communal posture of the guardians of law and order. Indeed, it seems evident from most accounts that the police and the PAC (Provincial Armed Constabulary) not only aided and abetted the communal propaganda, but also perpetrated atrocities on Muslims.

The case of Moradabad, as indeed of many other riots, underlines the need to understand the interaction of long-term causes and the more proximate economic causes which produce conditions for a violent outburst. Militant communal organizations, as in Moradabad, play a vital part in the promotion of communal ideology and politics through insidious methods. They build up the emotional tempo to a feverish pitch months before the riots, creating an atmosphere which magnifies small irritants and grievances into major ones, remind people of earlier communal grievances or riots and stress the need for rallying round their "defenders"²⁶

Significantly, the activities of communalists do not end with the creation of communal tension. In fact, they enter the situation with renewed vigour in the aftermath of a riot. Through relief work and expressions of concern they try to gain the sympathy of the people who are engulfed as victims because riots generally occur in crowded *mohallas* and *bastis* inhabited by them.

To people made distraught by looting and killing, the communal arguments begin to make sense. The minorities in particular, who suffer most, are susceptible to the exhortations of communal organizations. Many sections of the majority community, too, fall a prey to communal propaganda. Various myths and stereotypes about Muslims, who are presented as aggressors and bullies, help to create fear and suspicion in the majority.²⁷ In fact, communal organizations of both communities succeed in creating an atmosphere of distrust and antipathy.

Religious festivals, music before mosques, cow-slaughter and alleged desecration of temples provide occasions for the expression of communalism. Such issues become contentious because they are debated in a highly surcharged atmosphere brimming with rumours, pamphlets and incendiary speeches, reminding Hindus of the humiliations suffered by them during the Mughal rule. In such an environment, even the smallest spark can ignite a riot. This was so in Bhiwandi (1970), Jamshedpur (1979), Varanasi (1978), and Ranchi (1969). In Ahmedabad, handbills giving exaggerated accounts of Jagannath temple incident were liberally distributed; during the course of the riot the handbill industry kept pace with the fury of violence. The bills found a receptive ear among people fed with inflammatory speeches calling upon Muslim "guests" not to stay on

permanently in the host country. Even more provocative was the processions in front of major mosques, throwing *gula* into mosques and playing music designed to hurt the religious sensibilities of Muslims.²⁸ There is overwhelming evidence to suggest that the RSS has consistently played a role in organizing and inciting communal violence.²⁹ In Aligarh, for instance, there was unconcealed cooperation between the RSS, the police and the local and district administration. Navman, who had close links with the RSS and was reported to have engineered the riots, secured passes and transport to facilitate the movement of prospective rioters. Navman was arrested and released later at the behest of the Chief Minister.³⁰

The role of communal organizations in fomenting communal trouble has been established by various commissions of enquiry. For instance, the report of enquiry into Tellicherry disturbances (1971) found that communal cordiality was broken only when RSS entered district politics by setting up their units.³¹ The strident anti-Muslim propaganda threw the Muslims into the lap of communal organizations which prepared the ground for the communal conflicts.

There are many other factors which contribute to the building up of communal tension. Unstable politics often encourages communal alignments. Political rivalries and disputes assume dangerous proportions in areas marked by a high level of political instability and social violence. For example, in Jamshepur, just before the 1979 riots, Karpuri Thakur was deeply entangled in the changing political alignments prompted by the agitation of backward castes.³² Nothing could have embarrassed Karpuri Thakur more than a communal riot on the eve of the no-confidence motion. The riot was engineered by contractors who were hostile to the government for having arrested a Janata party MLA in connection with the Dhanbad mine murders. In an effort to appease Janata MLAs, Thakur allowed the Ram Navami procession against the advice of the district administration. Apart from Thakur's complicity, the RSS was assisted by the Tatas who organized meetings to provide a platform for the RSS.³³

Ideology and the State Apparatus

Various commissions of enquiry into the Ranchi riots and those of Bhiwandi and Ahmedabad emphasize the inefficiency of the administration in handling the situation. More importantly, the communal bias of the police has been highlighted.³⁴ The bias is apparent either in the selective imposition of the curfew or in the refusal to prevent organized mobs from looting and killing. In fact, during the Ahmedabad riots the government imposed the curfew after two days of bloody rioting, more to protect police stations than localities and people.³⁵ There are other methods of complicity; for example, police arrangements accompanying controversial religious processions are generally inadequate. Often it was found that the ministers intervened

in support of communal organizations. The Raghubir Dayal Commission of enquiry and the Madan Commission criticized political parties for exploiting communal feeling and ministers for interfering with local administration or making statements which undermined the efforts of the government.³⁶ The Aligarh riots are replete with instances of RSS and police collaboration aided by certain ministers in the UP government. The UP government could not prevent the recurrence of riots in Aligarh because it lacked the requisite political will to take action against erring officials and politicians who were responsible for the communal violence.³⁷

On the basis of such evidence, it appears that certain instruments of the state, such as the police and the district administration, have not only failed to come to grip with the communal problem, but have also demonstrated a distinct prejudice towards the minorities. This is discernible in both the lower and higher echelons of the police and the administration who "carry a burden of emotion with regard to inter-community problems which seems to tilt the balance of their judgement. The burden of emotion is also most often a pre-conscious experience so that there is often no clear awareness that a particular act is prejudiced or discriminatory against the minority."³⁸ Ultimately, it is the functionaries who articulate the position of the government in a specific situation. If these functionaries adopt a communal stance, then, in effect, the government is seen to be deeply biased and partisan; this has shattered the confidence of the minorities in the impartiality of the administration and rendered them vulnerable to communal persuasion. Frequent riots have led to an acute insecurity among Muslims in North India; communal violence constitutes an important element in the perception and judgement of most Muslims of North India.

Though it is important to combat communal organizations and communal politics, it is equally vital to counter communal ideology. It is quite true that communal ideology does not lead to violence without the intervention of political interests, but communal politics cannot be thwarted without an attack on communal ideology and the socio-economic structure of society which sustains it. In the long run, the question of communalism is linked with the social transformation of Indian society, though there is no guarantee that something so deep-seated as communalism will automatically vanish with the creation of a socialist society. It is perhaps significant that communal tendencies and riots have not occurred so frequently in states where the Left parties wield influence (very far though the situation is from socialism). In fact, there is a definite correlation between the intensity of communalism and the relatively weak influence of the Left parties in North India. The position of the Left parties will be enhanced greatly if they can weaken the hold of the communal ideology and outlook.

To begin with, it is important to probe the communal content of certain images, symbols and stereotypes which are popularly accepted. It is important to do so because myths and images are often the basis of reaction and action. For instance, the popular image of a Muslim has not changed over the years. He remains a bully and a fanatic in his adherence to Islam, and he is thought to live in a conservative social and cultural ethos, reinforced by a separatist psychological and religious orientation. A favourite theory is that Muslims are essentially pan-Islamists who would readily lay down their lives in defence of the Kaaba; this theory is revived after any major riot. Much is also made of Islamic fundamentalism which is supposed to have heightened communal consciousness among Indian Muslims and contributed to their self-confidence and assertiveness. Though the resurgence and success of the Islamic fundamentalist movement in Iran has given a fillip to these forces in other parts of West Asia, its influence in India has not been established. It would seem, however, that there is no serious evidence of a fundamentalist upsurge or its manifestation in India. There is no mushroom growth of religious seminaries or mosques and no indication of substantial growth in the influence of Tariqh-i-Jamaat and the Jamaat-e-Islami. In fact, the Jamaat-e-Islami has not gained a foothold in any region except in Jammu and Kashmir. Yet, attempts have been made to identify Islamic fundamentalism as the cause of the carnage in Mordabad and other places.

Clearly, secular consciousness in India is only skin-deep. This is largely the consequence of policies and strategies pursued by the Congress for three decades and by the Janata regime. The Congress woke up to the logical consequences of aiding communalism only after a spate of ghastly riots and it has continued to view communal violence as a law and order problem. It has not been able to recognize the fact that a part of the antagonism stems from outright ignorance and distorted information. In spite of having lived together for centuries, Muslims and Hindus do not really know about each others' values, traditions and customs. The images are made up of stereotypes and distortions. Such images must be counteracted, because the communal problem, in our view, has as much to do with ingrained prejudice as with political rivalry and economic competition.

Communalism has persisted because ideas linger on much longer than modes of production which give rise to and sustain them. The problem is compounded since the anti-feudal revolution was precipitously arrested by the compromise with feudal elements. It is all the more necessary to fight pre-capitalist ideas and forms such as communalism, because the bourgeoisie by virtue of their political dependence on feudal structures cannot destroy the vestige of the earlier outmoded ideological forms. On the contrary, it needs them all the more in order to confuse people and to prevent them from linking their

hardships to the exploitative system. The communal smoke-screen becomes convenient for the ruling classes by forcing people to see themselves primarily as Muslims, Hindus or Christians and to view their oppression and deprivations in terms of these categories.

- 1 For a discussion of such views, see Harbans Mukhia, "Communalism: A Study in Historical Perspective", *Social Scientist*, Vol 1, No 1, August 1972, pp 46-47. For an explanation of religious intolerance, see D D Kosambi, *Myth and Reality*, Bombay, 1962, p 29. Kosambi pointed out that the attitude of religious tolerance or otherwise in ancient as well as mediaeval India was to a certain extent related to the availability of resources. A tolerant or eclectic attitude would become pronounced during a period of comparative prosperity but it would tend to recede into the background in a situation of scarcity and fall in revenues. "With the Mughal prosperity at its height", observed Kosambi, "Akbar could dream of a synthetic Dīn-i-Ilāhī; Aurangzeb could only augment his falling revenues by increased religious persecution in the jiziya tax on unbelievers".
- 2 Mukhia, *ibid*, pp 45-47.
- 3 W C Smith, *Modern Islam in India*, Delhi, Manohar, 1979, pp 77-79.
- 4 See Chapter I in M Hasan, *Nationalism and Communal Politics in India*, Delhi, Manohar, 1979.
- 5 See Lord Minto's reply to the Simla Deputation in Hasan, *ibid*, p 119.
- 6 *Ibid*, p 122.
- 7 See Francis Robinson, *Separatism among Indian Muslims*, Cambridge, 1974.
- 8 Hasan, *op cit*, pp 90-94.
- 9 M Hasan, "Communal and Revivalist Trends in Congress", *Social Scientist*, Vol 8, No 7, February 1980, pp 53-54.
- 10 For a discussion of this aspect, see, E M S Namboodiripad, "Caste Conflicts vs Growing Unity of Popular Democratic Forces," *Economic and Political Weekly*, Annual No 1979, pp 333-335.
- 11 B T Ranadive, "Caste, Class and Property Relations", *Economic and Political Weekly*, Annual No 1979, p 338.
- 12 E M S Namboodiripad, *op cit*, p 336.
- 13 See Francis Robinson, *op cit*.
- 14 Ratna Naidu, *Communal Edge to Plural Societies*, Delhi, Vikas Publishing House, 1980, p 38. In 1886, for example, Muslims held 45.1 per cent of the judicial and executive posts in Oudh and North-Western Provinces, although the total Muslim population was 13.4 per cent. See B B Mīśra, *The Indian Middle Classes: Their Growth in Modern Times*, London, Oxford University Press, 1961, p 158.
- 15 See Paul Brass, "Peasantry and Party Politics in Northern India", *Journal of Peasant Studies*, July 1980.
- 16 For a discussion of the role of psycho-pathological factors, see Naidu, *op cit*, pp 146-149.
- 17 It is important to make a distinction between "minority effect" (example, Jews and Parsis) and the "threatened group". The former induces the group towards industry and professions, while the latter acts as a fetter.
- 18 As Naidu remarks, "The greater the pressure for this, the greater the absolute numbers among the elite of one community who appear to have surfaced the currents of the new economic system and are thereby heirs to the fruits of the new technologies and expansions of the economic framework", p. 43. But the lag in the modernization of the minorities as an explanation of communalism has been challenged by Paul Brass, *Language, Religion and Politics in North India*, California University Press, 1974.

- 19 This is sharply evident in the attitude towards Urdu in U P and Bihar. For a discussion see Brass (*ibid*). Recently the Bihar government recognized Urdu as the Second language leading to anti-Urdu agitations in Ranchi.
- 20 Naidu provides a useful discussion of the operation of communal calculus in pluralist societies like India and Malaysia, *op cit*, pp 63-65.
- 21 For a discussion of this aspect, see Pranab Bardhan, "The First Anniversary of the Janata Regime", *Economic and Political Weekly*, March 1978.
- 22 Sunit Chopra and N K Singh, "Anatomy of a Riot", *Economic and Political Weekly*, 19 August 1972, p 1171.
- 23 *Ibid*, p 1171.
- 24 A K Ray and S Chakravarty, "Karimganj Riots: A Political Study", Sampradayaikta Virodh Committee, 1968, p 16.
- 25 For a discussion of the planned nature of riots, see A K Ray and S Chakravarty, Report of Meerut Riots, *Patriot*, 23 February 1968. The authors observe, "We have no hesitation in putting the blame squarely on local leaders of the majority communal forces for the riots. The entire episode bore the stamp of organization and advance planning executed with a ruthless disregard for human lives". Ahmedabad riots are another example. See, Ajit Bhattacharjee, "Report on Ahmedabad: A Sinister Evidence of Advance Planning", *Hindustan Times*, 5 October 1976.
- 26 Ghanshyam Shah, "Communal Riots in Gujarat", *Economic and Political Weekly*, January 1970.
- 27 B Madhok made a very provocative speech about Muslims before the Ahmedabad riots, see, Ghanshyam Shah, *ibid*.
- 28 Shah says, "The humiliation of Muslims went further. After demolishing Muslim graves, local people erected small temples. In Ahmedabad, at one place, the shrine of the temple was named 'Huladiya Mahadev', i.e. 'The God of Riots'. In Baroda, the traditional folk dance of Gujarat, the garba, was performed around a destroyed shrine by a huge congregation. In Ahmedabad, on the wall of a ruined mosque was written, 'It is a request to all Hindus to pass their urine here' ", p 188.
- 29 *Times of India*, 21 November 1978.
- 30 *Patriot*, 10 November 1978. Navman and other RSS men were shielded on the plea that arrests could only be made after CID investigations were over.
- 31 Report cited in *People's Democracy*, 23 September 1979.
- 32 *Indian Express*, 13 April 1979.
- 33 "Jamshedpur Riots", *People's Democracy*, 23 September 1979.
- 34 These inquiry commission reports are cited in Naidu, *op cit*. See her chapter on Communal Violence, pp 91-123.
- 35 For instance, in Varanasi PAC systematically raided the houses of Muslims and looted whatever was there. The attack was concentrated in Muslim *mohallas* where weavers live. They produce Banarsi sarrees. *New Age*, 17 December 1978. Of course reports about Aligarh are replete with police atrocities. One report cited the reaction of the Divisional Commissioner of Agra who wanted to impose curfew to avoid stabbing and arson on 8 November. He was told "Chamaar Ke Bachhe to Musalman ko bachana chahta".
- 36 Report cited in *People's Democracy*, 24 December 1978.
- 37 In no major communal riot were the miscreants convicted and punished by the process of law. The guilty are let off on the plea that communal clashes are the result of excitement of the moment and insistence on punishing the offenders will aggravate tensions and perpetuate a climate of conflict.
- 38 Naidu, *op cit*, p 120.

On the Problem of a Theory of Knowledge in Marx

The question whether objective truth can be attributed to human thinking is not a question of theory but is a practical question. In practice man must prove the truth, that is, the reality and power, the this-sidedness of his thinking. The dispute over the reality or non-reality of thinking which is isolated from practice is purely a scholastic question.

KARL MARX, *Theses on Feuerbach*.

CAN we speak of a "theory of knowledge" in Marx which is compatible with the dialectical-materialist interpretation of the concept of reflection? What theoretical conclusions can be derived from the Marxist solution of the problem of the relation of man and his practical activities with the external world?

The very formulation of these questions is likely to be contemptuously rejected as naively dogmatic by some contemporary interpreters of Marx, notably some Western Marxologists, who in the name of cultivating "genuine" or "authentic" Marxism seem to ignore the theoretical-cognitive content of Marx's new outlook and the objective essence of Marx's logic of understanding man and his place in the nature and social scheme of things. At the core of these innocent looking "academic" exercises lurks self-destructive skepticism, which undermines the cognitive significance of the theoretical basis of socialism. This objective is also sought to be achieved, at least indirectly, by certain versions of neo-positivism, pragmatism, existentialism and other related philosophies.

The theoretical basis of socialism is historical materialism. The leading idea of historical materialism and of the whole conception of scientific socialism is the specific notion of the laws of social development and the derivative character of consciousness, both individual and social, in its relation to social being which plays the determining role. Historical materialism is the outcome and the specification of a new world outlook — the dialectical-materialist outlook. This world outlook has become an inseparable element of world culture and a way of life of millions of people today. The

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emergence of the dialectical-materialist world outlook is historically connected with appearance of the proletariat and its movement for emancipation which impelled the founders of Marxism to turn to the study of history and society, to the theory and practice of revolution, to arrive at a non-contemplative, integrated view of the world which represents a unity of functions—both theoretical and ideological. It is precisely this theoretical-cognitive function of the Marxist world outlook which is sought to be eliminated by certain interpreters of Marx who advance such erroneous propositions like the one that Marx was only interested in changing the world without understanding it.¹

This paper is an attempt to bring out, at least in broad outline, the epistemological and ontological significance of the Marxist solution of the problem of the relation of man and his practical transforming activities redirected to the external world to meet his physical and social needs.

At the very outset it must be emphasized that the problem of man prominently figures today in diverse philosophical trends but the specifics of the Marxist solution of the problem of man in the current epoch can hardly be obscured by counter-posing the existential approach to the problem or by adhering to the position of philosophical anthropology, religious-philosophical interpretations or pragmatic and neo-positivistic conceptions and so on. The ontological, epistemological, socio-anthropological, ethical and other aspects of the problem had been recognized long ago by philosophers, both Indian and Western, who appear to be deeply concerned with the problem of man as an individual not, of course, *in concreto* but *in abstracto*.

I

Dialectically assessing the entire experience of previous philosophical thought and the social role of science and technology of his time, Marx arrived at a world outlook that radically changed man's image of himself and of his relation both to nature and to his associates in society. The non-contemplative and critical character of his outlook is clearly expressed in one of his well-known theses on Feuerbach: "The philosophers have only interpreted the world in different ways: the point, however, is to change it."

Marx, as a materialist, recognized the existence of objective truth to combat not only idealism, always connected in one way or other with religion, but also the views represented by agnosticism, critical philosophy and positivism in their various forms. The very concept of objective truth cannot but point to a distinction between the subjective and the objective at the philosophical-epistemological plane. Marx's special achievement lies in the fact that he links the subject with the object on the real basis on which they are linked in history. It must be noted in this connection

that pre-Marxist philosophers and scientists could not solve the problem of the attainability of objective truth in a concrete historical way, for they failed to comprehend the influence of human practice on human thought, logic and scientific method. They either metaphysically separated the subject from the object or united them by way of simple conjunction. For Marxism, however, it is not sufficient to state merely that "there are both the subjective and the objective, both thinking and reality external to it, that philosophical investigation embraces both the one and the other, being divided into ontology and epistemology which includes logic and, of late, also philosophical anthropology".

Truth is considered as subjective because it is a form of human activity and it is objective because the content of knowledge is a reflection of the objective reality, the existence of which does not depend either on the individual or mankind as a whole.

II

It can be generally remarked that philosophers prior to the founders of Marxism could not solve the problem of the attainment of objective truth in the subjective forms of cognition, for they approached the problem in the most abstract possible way and could not find the real basis on which the subject coincides most fully with the object, that is, in the dynamic historical context of man's concrete living.

Locke, for example, recognized the existence of an objective world, yet the nature of the objects constituting such a world could not be known. Scientific enquiry, for Locke, was restricted only to the sphere of appearances; he denied that it could penetrate into the essence of things. He took upon himself the task of examining the limitations of understanding. The results of his investigation led him to the conclusion "that the object of our knowledge is limited to the subjective world of our own ideas".

Yet it must be said that he proclaimed, at least to some degree, confidence in the power and the ability of the human mind to explore and to know reality. But afterwards empiricism started doubting everything and arrived at the completely negative conclusion that knowledge of anything, strictly speaking, is impossible and declared that knowledge, in essence, is non-knowledge. This theoretical position of agnosticism denies man's ability to know the world, to know it truly and to transform it on the basis of such knowledge. Thus Hume, for example, defended faith and force of habit rather than knowledge as the basis of practical action.

Kant did not ignore the active role of the rational faculty in the generation of knowledge and the necessary part its forms played in ordering the raw materials of sense experience and produced a detailed analysis of the cognitive process, its separate elements — the

senses, the intellect and reason. Yet, however revolutionary Kant's epistemology may appear to some thinkers, its notion of the immaterial sources of ever-fixed categories of reason is full of mystery and represents in a diluted form the legacy of abstract rationalism, although he did not share the rationalist illusion of an "intellectual intuition" which could directly reveal the essence of things ². Accepting that the forms of thought may exist independently of the specific experience of the individual, it is wrong to suppose that they have not been generated ultimately and developed subsequently on the basis of the sensuous, objective activity of mankind as a whole. Having correctly understood the nature of categories (the most general concepts or forms of cognition) Kant failed to recognize that they are such because they reflect the things, phenomena and the processes of the objective world.

Kant comprehended the idea that universality and necessity are the attributes of true knowledge but his account relies mainly on laws of pure reason which provide an abstract subject of knowledge with certain universal, fixed, numerable categories. In that case, knowledge, by implication, would inevitably become stagnant, static, non-developmental and anti-historical in character. In a sense it may be true that Kant did not disconnect the forms of thought from their content, yet the unity of the form and content, logic and sensation achieved by his characteristic subject of knowing wandered in the realm of *phenomena* and the essence of things was declared by him to be unknown and unknowable.

Kant could not solve the problem of the attainability of objective truth because the sources of the attributes of true knowledge, that is, necessity and universality, for him, did not rest in the objective world but in the nature of sensuousness and intellect and as such man's ability to acquire truly objective knowledge of reality was practically denied by him.

Thus, in his attempt at moving beyond Hume, Kant actually lagged behind Locke, who at least denied all innate ideas although he failed to see that knowledge is not the private product of the cognitive qua intellectual life of man as a passive, asocial, ahistorical individual. However it must be stated that by divorcing the contents of knowledge—sensations, perceptions, etc—from objective reality, the empiricists actually paved the way for idealism. Mere recognition of the fact that knowledge begins with experience does not lead us very far if experience, instead of linking us with objective reality—actually delinks us from the real world.

Ever since the development of Kantianism it has been fashionable with certain philosophers to insist on our reducing the philosophical problem of knowledge into a narrow field of investigation, "epistemology", with the exclusive task of determining the limits of knowledge. It is indeed important to ascertain in science the limits

of the applicability of a particular theory in a specific sphere of objective reality. But from this it does not follow that epistemology in no way be concerned with obtaining a more or less true picture of the surrounding world and that knowledge has only to be considered "as a specific scheme of the organization of the subject of knowledge". One's adherence to this position would culminate finally in the reduction of philosophy to logic and thereby a negation of the problem of world view outside the scope of scientific knowledge would be justified only to make room for faith.

Yet it would be erroneous to maintain that all idealists are agnostics. In Hegel one can discern an earnest striving for overcoming the dichotomy between the subjective and the objective, between consciousness and the reality external to it, between thinking and being. The philosopher who recognized the importance of practice before Marx was Hegel. But "the only labour which Hegel knows and recognizes", as Marx says, "is abstractly mental labour".³

Idealism prevented him from understanding the very nature of the subject, which he reduced to human thinking, and of the object, which in his view was the very same thinking only in the objective form of its being. From this point of view there is no real interaction between the subject and the object, and there is no real way out for it from the sphere of thinking to objective reality.⁴

Ludwig Feuerbach recognized the absurdity of the conception of the subject as mere consciousness. But man, for Feuerbach, was simply a biological being possessing by virtue of its material nature the ability to know reality. Feuerbach, in his concept of cognition, was concerned "with a concrete person possessing natural essence" but, as Marx observed, Feuerbach never arrived at a really existing active man, but stops at the biological abstraction "man".⁵

III

Marx never studied man in the abstraction of "the man" but man in a concrete form of society characterized by a definite mode of production. "The human essence is no abstraction inherent in each individual. ... It is the ensemble of social relation".⁶ No man as an individual can be viewed merely as an abstract of intellectual, volitional or emotional qualities. In Marx's opinion, the real intellectual wealth of an individual depends on the wealth of his real connections. The individual who (proceeds to know things, phenomena, processes) is capable of assuming the stature of a subject of cognition primarily due to the fact that he enters into certain social relations with other individuals in a given form of social organization at a certain stage of development. The many-sided capacities and abilities (including cognitive and intellectual abilities) of an individual can

only be developed by living in a definite form of society, by mastering the techniques and assimilating the structure of ideas and theories developed by the preceding generations. This means that the level of knowledge and the development of logic and methodology are not solely determined by people's natural individual features. The main factor to be reckoned with is the social structure, social conditions, social needs and possibilities.

But how should we take knowledge philosophically from the standpoint of life and practices? What is the standpoint of life and practice? Is it materialist or idealist?

Ontologically, man is a specific part of nature and cannot, therefore, be identified with something spiritual which stands independent of "mere matter". In fact, there is no antithesis between man and the reality external to him, between consciousness and being so that they cannot move together. Dialectical materialism maintains that the qualitative diversities of manifold things, phenomena and processes of the world are nothing but the various forms of moving matter. But while emphasizing that they are united, Marxism does not rule out their qualitative distinctness and specificity "for each constitutes matter at a certain stage of its process of evolution". Significantly, the activity of consciousness is material but it is "matter that thinks", hence has quite distinct properties all of its own, irreducible to lower forms of the organization of matter in motion.

But if it is held that consciousness is inseparably connected with the material world as a whole then how are we to understand the contrast often made between consciousness and being?

Marxism proceeds to explain the relationship in a concrete historical way by redefining the specificity of the reflective ability of human consciousness inseparably linked with human practice transforming nature and society. That Marx saw the indissoluble connections, close interaction and unity of man and nature is evident even in his *Philosophic and Economic Manuscripts* of 1844. He wrote, "History itself is a real part of natural history; of nature developing into man".⁷ A careful reading of this manuscript will enable one to trace the idea of unity of the world, of its material nature, and of the objective connection between natural and social phenomena. The contrast between consciousness and being, man and the reality external to him has to be taken as an epistemological one.

In the light of the above it may be said that the distinction between consciousness and being is relative whereas their unity is absolute. It must, however, be emphasized in this connection that without the concept of reflection it is impossible to understand how consciousness is intrinsically linked to the real world. It had to be reconstructed, therefore, on the premises of materialism.

Marx recognized the importance of the concept of reflection

which, of late, is blatantly opposed by those who hold that it is undialectical to separate consciousness and being even epistemologically from the standpoint of what may be called the subjective-idealist understanding of "praxis". "Praxis", for them, provides the only source of being and the knowable world is declared to be the production of man. Thinking and being are dialectically related and there is no element, they hold, prior to the other. But mere recognition of the fact that thinking and being are dialectically related is not sufficient. One might still ask the question, "what precisely is this relationship"?⁸

To get an insight into the solution of the problem we may recall here the criticism offered by Marx against Hegel's dialectical idealism. For Hegel the real world was no more than the product of "mind", "the external phenomenal form of 'the idea'", as Marx put it. For Marx, "the ideal is nothing else than the material world reflected by the human mind and translated into forms of thought".⁹

What deserves our attention here is the phrase "the material world *reflected* in the human mind and translated into forms of thought", as actually used by Marx to expose the mystical nature of Hegel's idealist dialectics.

Marx did not take reflection as a passive reproduction of the object in the consciousness of the human individual, the subject of cognition, without real connections and maintained that man actually reflects the world insofar as he transforms it, in the process of his immediate practical activity. Lenin, emphasized that "practice is higher than (theoretical) knowledge, for it has not only the dignity of universality but of immediate actuality."¹⁰

Lenin understood the process of reflection in conformity with the principle of development, presenting the reflection of enviroing nature in man's consciousness "as a living, manysided, complex process, not as a lifeless mechanical mirroring of the world".

Since man cannot but apprehend being as a social man, his reflection of reality has to be practically oriented towards the transformation of the world. Passive adjustment to prevailing circumstances, natural and social, will not only endanger his meaningful existence in society but also abolish the prospect of real development. Man proceeds to transform the world in keeping with his needs and interests on the basis of his cognition of reality. The act of reflection is not an end in itself but the means of transforming and changing the world. Lenin enriched the principle of reflection in close connection with the Marxist concept of man as a creator.

It is, therefore, wrong to suppose that Lenin's theory of reflection is incompatible with dialectics and represents a retreat to pre-Marxist metaphysical materialism. Some Marxist critics of Lenin's theory of reflection, however, are unable to grasp the creative essence of Lenin's enrichment of the concept of reflection and deliberately

ignore such brilliant precepts as the following; "Man's consciousness not only reflects the objective world but creates it."¹¹

IV

While emphasizing that thought reflects objective reality Marxism highlights quite a number of closely inter-connected ideas to guard against possible misconceptions and confusions in this regard.

Firstly, Marxism attaches crucial importance to the idea of the primacy of the object (i. e., matter has an objective reality independent of our consciousness, thinking and senses) and accords a derivative status to the reflection of the object in human consciousness.

Secondly, Marxism does away with the agnostic gap between the object and the possibility of obtaining an adequate knowledge of it. This implies the assertion that "the image, the concept of the thing or phenomenon, reproduces the thing or phenomena, their essence, with greater or lesser accuracy".¹² The first point raised here is important to counteract the idealist distortion on the question of the sources of our knowledge of the material world, while the second destroys the ground of the theoretical positions of the agnostics and subjectivists. Knowledge is a fact of everyday life and work. It is in the process of practice and material activity that man at first only gets to know the phenomenal side, the separate aspects and external relations. This perceptual stage of cognition takes the form of an active exploration of immediate environment. Although necessary, it cannot account for the formation of our concepts which reflect the internal connections, the depth and the laws of things and processes.

Concepts are no longer the phenomena, the separate aspects, and the external relations of things. They grasp the essence, the totality and the internal relations of things. Between concepts and perceptions there is not only quantitative but also a qualitative difference. Proceeding further by means of judgement and inference one is able to draw logical conclusions.¹³

Social practice is the basis of theory, which in turn enlightens social practice. Knowledge, in order to inform as well as to reform practice, requires that the world, in principle, be knowable though we may not claim to know every thing all at once. This provides scope for the development of knowledge. Our knowledge is an approximation to objective reality in various degrees of depth and concreteness because the objective reality is "infinite, inexhaustible and has many levels". This means that we do not just extend but deepen our knowledge. "If our ideas and notions, therefore, are unable to recreate the object accurately in thoughts, reproduce its real aspect, its

characteristic features and its essence in the process of cognition, then how are we to understand the very existence of humanity and its progress in the world? After all, if mankind is unable to obtain a more or less true picture of the world, its properties and qualities, if in the process of its socio-productive activity it does not apprehend the necessary connections, the relations and the laws governing the objective world, it cannot either adapt itself to the world or cannot even ensure its survival in it".¹⁴

These ideas point to a new way of understanding the very nature of human practice, as capable of transforming nature and society, and its relation to theory.

Human practice, as understood by Marxism, is not individual action guided by individual motives alone, as pragmatism supposes, but the totality of the objective forms of the activity of man. In understanding the relation between theory and practice, Marxism attaches primary importance to practice to focus on the socio-historical character of knowledge. The basis of practice is socio-productive labour which distinguishes man from all other forms of life on earth.

However, the whole range of human practice cannot be confined to productive labour alone for in that case man would be regarded as an "economic being" and his consciousness would merely assume "a technical character". Although theory primarily arises from practice, once it has arisen it maintains a relatively independent process of growth, which is not to be confused with the objective idealist concept of knowledge as an autonomous process independent of the consciousness of concrete individuals in society and of mankind as a whole. This means that the whole content of the philosophy of Marxism cannot be reduced to the "philosophy of practice", to some sort of unphilosophical sociology. It includes also a logic or dialectics of knowledge which traces the genesis of knowledge, consciousness and theory in the objective material activity of man. Practice is the origin, the end and criterion of true knowledge. The certainty of knowledge provided by practice is not static and metaphysical but dynamic and dialectical. Practice or material activity subordinated to objective laws provides the basis for the coincidence of the subjective and the objective. The consistent employment of knowledge to practice is "the guarantee of its objectivity, of its ever deeper penetration and, fuller comprehension of things and process of objective reality".

Marx was opposed to "pure theory" and "intoxicated speculation", but not to speculation as such. He demanded a negation of philosophy in its traditional idealist form, which towered above the world and society, but not philosophy as such. If philosophy stands suspect even to this day, it is partly because a vast product of the intoxicated speculation of the contemplative philosophers is barren and unenlightening both from the points of view of theory and

practice, thought and action. However, positivism cannot be the alternative to speculative ontology. When we speak of the speculative nature of any scientific theory, we realize that this theory will sooner or later be confirmed or discredited by experience, by experiment.

Philosophy is far more speculative than theoretical natural science, but it cannot appeal to future experiments or observations. What is it then (that) sets a limit upon the philosopher's speculative licence, if he is not to be intimidated by mere isolated facts, since they can neither confirm nor deny his conception? Logic? Yes, of course, the philosopher respects Logic; it is his own chief weapon. But logical inference is possible only from logical premises, which are not contained in logic itself. Logic provides no criteria of the truth sought by the philosopher or any theoretical scientist. We assume that the significance (and to a certain extent, the truth) of philosophical propositions is to be inferred from their being applicable in various sciences and practical activity. And further, philosophical propositions may be regarded as a kind of theoretical recommendations. If these recommendations arm science in its pursuit of truth, arm man in his practical transforming activity, then they acquire, thanks to this, the possibility of real verification. So the point is not that philosophical propositions are true because they work; this approach to the question is alien to Marxism, and, as we know, is propagated by pragmatism.¹⁵

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"If Marx did not leave behind him a Logic he did leave the logic of capital, and this ought to be utilised to the full on this question. In Capital, Marx applied to a single science of logic, dialectics and the theory of knowledge of Materialism (three words are not needed—it is one and the same thing) which took everything valuable in Hegel and developed it further".¹⁶

The Hegelian treatment of the structure of categories assumes implications of such absoluteness and fixity of reference that it can never get beyond the points round which all tautologies eternally revolve. Such a logic cannot in principle provide a real basis to natural science and justify the objective validity of scientific laws unless, of course, an ideological reversal of the Hegelian conception of the self-development of the concept is effected through a materialistic interpretation of concepts "as images of real things instead of regarding the real things as images of this or that stage of development of the absolute concept". Dialectics, therefore, is defined by Engels as the "science of the general laws of motion and development of nature, society and thought". It is a logic of the motion of thinking practically oriented towards the disclosure of objective essences. "It is the science", as Lenin says, "not of the external forms of

thought but of the laws of development of the entire concrete content of the world and of its cognition, i.e., the sum total of the conclusion of the history of knowledge of the world".¹⁷

Western analysts generally defend the validity of formal or mathematical logic in all spheres of rational knowledge. To them dialectical logic is really no logic at all. But we now find some Western "Marxologists" and "Sovietologists" who appear to recognize the relevance of "dialectical methodology" for providing "senseful answers" to many questions connected with the methodological problems of concrete sciences. But their understanding of dialectical logic, or "dialectical methodology", does not point to materialist dialectics. For them, the rules and the principles of our theoretical thinking do not move in accordance with the laws of the object; on the contrary, they are supposed to be the arbitrary creations of human mind. From such a position it is hardly possible to go beyond the limitations of formal logic which ignores real contradictions in its endeavour to present thought as contradiction-free.

Marxism does not ignore the value of formal logic altogether, but maintains that it cannot be regarded as a philosophical method of thinking. Every method of thinking, philosophical or otherwise, is the consequence of a world outlook. But every world outlook is not a scientific-philosophical world outlook. Even a scientific world outlook which represents the world as a plurality of laws lacks the unity and the specificity of a philosophical world view. Dialectical logic is a substantive logic: "It must be so, because the world is in constant motion and development. It is on the principle of development that our forms of thought—concepts and categories—really become the ideal forms of objective content". In other words, the relationship of the laws and forms of our thinking to external reality is an aspect of the dialectic of subject and object.

By doing away with the metaphysical separation of "subjective dialectic" from "objective dialectic", materialist dialectics introduces a serpent into the paradise of relativist agnostics, subjective idealists and positivists of all variety, old and new. Without abandoning the materialist approach to the relationship of thought and being, it theoretically synthesizes the most general laws of development of nature, society and thought in which thought, assuming a hypothetical character, still points to a specific form of cognition of the world as a whole and represents a world outlook (Truth) as well as a way to truth (Method). But the Marxist-Leninist world outlook is also a genuinely scientific ideology. It is inseparably connected with social practice whose laws of development it reveals and expresses the interest of the working class. To say this is not to ignore its close connection with the sciences, natural and social, which supply it with material for generalization and new contents for the enrichment of its categories which in turn provide a scientific methodology

enabling scientists to approach intelligently the concrete problems in the specific fields of their activity and research. Thus, the development of scientific knowledge need not necessarily diminish the role of philosophy as a world outlook. In fact, the need and the relevance of a scientific philosophy has practically increased today to an extent not thought of before.

Paradoxically enough, there are some modern critics of Marxism who seem to be inclined to the view that the materialist conception of the dialectic is not in conformity with the position of Marx. They further maintain that the concept of reflection, the basic concept of the dialectical materialist theory of knowledge, is not present in Marx but it is Lenin who introduces it to vulgarize Marxism. Some Marxologists even discover an allegedly basic philosophical contradiction between Marx and Engels and point out that "it is not Marx but Engels who brings in natural science to Marxist thought" (as if Marx's ideas, either factually or philosophically, could support propositions as erroneous as the one asserting that it is possible to develop a "science of man" without a "science of nature"). They not only counterpose "Young Marx" to "Old Marx" and thereby metaphysically separate two distinct lines of thought in Marxism — humanistic and scientific respectively — but also condemn Engels and Lenin for debasing and vulgarizing Marxism. Such a disruption of the unity of Marxist thought is undertaken in the name of cultivating "Creative Marxism" by reducing it either to anthropocentrism, or to some sort of positivistic scientism.

That Marx devoted much of his time to explaining scientifically the specifics of the laws of social development by itself is unable to prove Marx's indifference to natural science and to its philosophical consequences for a scientific philosophy. It is well-known that Marx actively participated in the work of his friend on *Anti-Duhring* and took keen interest in the philosophical consequences of Darwin's theory of evolution. However, the opponents of dialectical materialism, notwithstanding their professed aversion to contemplative positivism, endeavour to introduce a dualism in Marxism on the pretext of undertaking an "analytical study of praxis". But "analyses must have their bases". In the name of an analytical study of praxis, the dialectic is reduced to an anthropological concept¹⁸ or else to "an affair of the mind", occasioned by statements such as the following: "It is the process of knowing nature which can be dialectical, not nature in itself".¹⁹ The concept of reflection by implication is rejected as a concept of metaphysical materialism incompatible with the Marxist philosophy which proceeds from the recognition of the activeness of the subject in the process of his practical and theoretical mastery of the object. How then is one to understand the problem of the relationship of the subjective dialectic to objective dialectic, of knowledge to objective reality—the cardinal problem of philosophy?

Reflection viewed as a passive, lifeless mirroring of existing things and phenomena considered apart from the subjectively creative influence of man, cannot but lose an important characteristic of knowledge. But if it is impossible for man to create knowledge without reckoning with the objective conditions of life which exist independent of one's will or desire; if it is impossible for man to create history as he pleases despite the fact that the very meaning of human life lies in free creative activity in the practical transformation of the world; then man's goal-oriented endeavour, both theoretical and practical, cannot be determined by a free will without any ground in reality, for that would imply an agnostic interpretation of human goals and deprive human accomplishments, material and spiritual, of all cognitive significance.

Man's activity is objectively determined. The independent existence of objective reality is the precondition of all human activity. Without this precondition the very process of material production would be left scientifically inexplicable. Indeed, men always find themselves in definite conditions of life in concrete societies which do not depend on their will or desire. The conditions in which they find themselves are "an embodiment of the objective results of man's own activity; they are the outcome of earlier development of the activity of a number of generations. The results of men's activity form an element of the objective conditions of their life which they have to reckon with whether they like to it or not". It is, however, an error to overlook the fact that it is men themselves who change and transform these conditions by their further activity. Marx did accept the fact that man is the product of circumstances but he did not stop there and was quick to point out the limitation of the old materialism by saying that men can, by understanding the circumstances that govern their lives, actually change those circumstances. This means that passive contemplation has to be replaced by conscious, active intervention in the natural and social scheme of things.

But if man is free to the extent he is conscious of the constraints that generate the motive for his action then the consciousness of the motive of his action may also be viewed as a consciousness of the necessity for his action. This point is seldom understood in its true theoretical import by those who counterpose freedom and necessity, creativity and determinism as absolute antithesis, implying thereby an antagonistic dualism between the individual and society, his ideas and the outside world. Marx never studied man and his activity in the abstract. Any attempt at discovering a dualism between freedom and determinism cannot but lead one to subjectivism, to an idealistic distortion of Marx's ideas.

Some contemporary thinkers, notably the existentialists, have directed their sole attention to the problem of freedom and creativity where any sort of determinism is viewed as incompatible with genuine

human freedom and creativity. Thus, the activity of man, if accepted as governed by laws which operate independently of intended will, implies for thinkers like Satre and his followers, that man is entirely determined by prior circumstances, the "passive product of circumstances" or a complex of "conditional reflexes".

Significantly, in such trends of thinking, an agnostic interpretation of human freedom and creativity, knowledge, experience, or practice is sought to be justified by counterposing the "*essence*" to the "*existence*", the universal to the particular — the individual—in such a way that the specificity of the Marxist conception of social relations, social classes and the class struggle either become non-existent or else non-cognitive in character.

Ideological issues cannot but lie hidden in such interpretations. At the core of ideological conflict and intellectual progress there reside philosophical issues, primarily the problems of man's attitudes to the world, including "the spiritual world", which men create and pass on from one generation to another. The theoretical conception of knowledge which denies man's freedom and ability to cognize the world and to transform it on the basis of such knowledge is not compatible with the logic of Marxism.

In Marxist philosophy, materialism is extended also to social phenomena. A scientific, consistent materialism is represented by it, which proceeds from the recognition that the world by its very nature is material. Yet "its principles are not the starting point of investigation, but its final result; they are not applied to nature and human history, but abstracted from them: it is not nature and the realm of humanity which conform to these principles, but the principles are valid in so far as they are in conformity with nature and history".²⁰ Thus the search for these most general laws of motion of nature, history and thought, based on the knowledge of the sciences, is a "philosophic enterprise".

Conditioned by the development of science and the necessity of class struggle the logic of such a philosophic enterprise in the current epoch assumes the character of a self-conscious philosophic encounter, a world outlook which has "had to establish its validity and be applied not in a science of sciences standing apart but in the positive sciences".²¹

Guided by such a world outlook the scientific solution of many intricate and complex problems—philosophical, sociological, scientific-theoretical, logical-methodological, and so on—has been achieved with a great measure of success by the joint efforts of scholars and scientific workers in the socialist world. It is now neither possible nor desirable to ignore the positive achievements of Marxist scholars, both inside and outside the socialist world, who continue to work in unison with ever-increasing success in defending and developing, among other issues, the unity of logic, dialectics and theory of

knowledge of Marxism.

The need and necessity for such concerted effort have greatly increased today specially when many trained philosophers outside the range of Marxism (including a great majority of academic philosophers in India) are at a loss to decide what sort of enquiry has the right to the name of a theory of knowledge.

By the constraints of historical circumstances these academic philosophers only move between two antagonistic viewpoints of the world as implied by "pangnosticism", an extreme version of abstract rationalism and agnosticism, an extreme version of traditional empiricism, and are unable to arrive at the alternative provided by dialectical materialism — the only one which is scientifically correct.

Materialist dialectics, the logic and theory of knowledge of Marxism help us to see a close connection between philosophy and science, between bold comprehensive generalization and detailed concrete investigation, without abandoning its genuinely scientific and openly partisan character.

- 1 H D Aiken, *The Age of Ideology*, Boston, 1957. That Marx was only interested in changing the world without understanding it is an idea which is advanced by Aiken. He writes, "Philosophical problem, said Marx, is not to understand the world but to change it", *ibid.*, p 185. It is not difficult to find such examples of distortions of Marx's ideas even in the writings of Karl Korsch, Karl Popper and others.
- 2 See A P Sheptulin, "A Contribution to the Question of the Categories of Materialist Dialectics", *Philosophy in the USSR: Problems of Dialectical Materialism*, Moscow, Progress Publishers, 1977, p 115.
- 3 Karl Marx, *Economic and Philosophic Manuscripts of 1844*, Moscow, Foreign Language Publishing House, 1961, p 152.
- 4 See P Kopnin, "Method of Scientific Thinking", *Social Sciences*, Moscow, Vol III, 1971.
- 5 K Marx and F Engels: *The German Ideology*, Moscow, Progress Publishers, 1964, p 58.
- 6 *Ibid.*, p 652.
- 7 Quoted in M C Chepikov, *The Integration of Science*, Progress Publishers, 1978, pp 29-30.
- 8 John Hoffman, *Marxism and Theory of Praxis* (paperback), New York, International Publishers, 1976, pp 88-89.
- 9 K Marx, *Capital*, Vol I, Moscow, Foreign Languages Publishing House, 1959, p 10.
- 10 V I Lenin, "Philosophical Note Books", *Collected Works*, Moscow, 1963, Vol 38, p 211.
- 11 *Ibid.*, p 212.
- 12 See H Monjan's article in the *Social Sciences*, Moscow, Vol 19.
- 13 Mao Tse-Tung, *Practice*, Calcutta, National Book Agency, 1967, p 9.
- 14 H Monjan, *op cit.*
- 15 Theodor Oizerman, *Problems of the History of Philosophy*, Moscow, Progress Publishers, 1973, pp 134-135
- 16 V I Lenin, *Karl Marx*, Moscow, 1953, p 19,

- 17 V I Lenin, "Philosophical Note Books", *Collected Works*, Vol 33, Moscow, 1963, pp 92-93.
- 18 Georg Lukacs, *History and Class Consciousness*, London, Merlin Press, 1971. See Note 6, p 24.
- 19 Alfred Schmidst, *The Concept of Nature in Marx*, London, 1971. See specially Appendix, pp 195-196.
- 20 Engels, *Anti-Duhring*, Moscow, 1959, p 54.
- 21 *Ibid*, p 166.

NOTE

Technology Policy and Self-Reliance

INDIA ranked among the first 15 countries in industrial development even at the time of independence. But, industrial development in India was so lopsided that it was hardly more than a mere appendage of the metropolitan economy of Great Britain. British capital was dominant in the modern sectors of industry and commerce. Apart from other supplies, almost the entire mill and machinery had to be imported from England. Since, under the earlier plans, the rate of domestic saving was low, industrial development depended a great deal on foreign finance and imported technology and capital goods. Multinational corporations were also allowed to invest directly or collaborate with Indian partners. Over the plans, there has been a significant increase in the rate of domestic saving. Foreign exchange reserves have also improved over the 1970s. But, these have not really freed India from its dependence on foreign capital though the sources of funding have been diversified.

In the same way, the expanded industrial base in India has not reduced its technological gap and dependence. A wide variety of sophisticated plant and machinery has been installed for hydro and thermal power plants, steel, fertilizers, petrochemicals, heavy engineering, mechanical, electrical and electronic equipment, aeronautics, and so on, over the last 30 years. The progress in nuclear energy and space research is also quite impressive. Nevertheless, other developing countries seem to march ahead of India in industrial development. The degree of assimilation, adaptation and development has been far from satisfactory. Consequently, the technological gap between India and more advanced countries seems to be widening and the process of sustained modernization involves not only import of new technology but also updated versions of old ones.

Technological progress in India has been somewhat tardy and lopsided even though India is among the top 10 countries in terms of scientific and technical manpower, despite the serious brain drain. About three dozen national laboratories in science and technology have also been set up by the government under the earlier plans, apart from specialized agencies for defence, atomic energy and space research. They account for about 90 per cent of the top scientists and engineers.

It is true that India had no previous experience of technology transfer. But it did not care to learn from the experience of socialist countries or even other capitalist countries like Japan. Japan is an outstanding example of how technological progress could be hastened by the government and business acting in concert on the basis of clear-cut objectives and determined effort. Japan was against foreign capital while avidly acquiring foreign technology through licensing arrangements, technical contracts and outright purchase. They accorded high priority to machinery manufacture, import substitution, standardization, mass production and improvement of quality. They hired foreign technicians, trained their own and prevented brain drain.

In India, on the other hand, the government and the leading industrial houses neither had clarity of objectives nor the requisite will and determination towards technological self-reliance. Foreign companies, most of which were subsidiaries of multinational corporations, had better access to modern technology than the Indian industrialists. But, the R & D-activities of the multinationals are closely guarded secrets of the parent companies in their home countries. The Hathi Committee had exposed the secretive and exploitative nature of foreign-owned subsidiaries in drugs and pharmaceuticals. The story is the same in every branch of industry where multinationals operate. Even when they entered into collaboration with Indian businessmen, they did not part with their latest technology and know-how. In most cases, foreign collaboration has hindered the creation of an independent base for the development of technologies. The collaboration agreements have had many restrictive clauses in respect of the use of know-how, change of design, import, production and sale which prevented their adaptation or absorption. In practice, collaboration agreements have enabled the multinationals to penetrate the Indian market and establish their monopolistic control. Though the real technology transfer did not take place, the Indian collaborator was able to enjoy a share of the profit. At the same time, the growth of small industries which could have benefited from indigenization of foreign technology was hampered.

On the other hand, Indian businessmen have lacked the urge and determination to acquire and assimilate foreign technology. In their quest for quick profits, they have been averse to risk-taking and experimentation. They are prone to import complete technology even when a good part of the work could be undertaken by Indian expertise and know-how. Despite handsome fiscal inducements and concessions, private enterprise in India has neglected in-house R & D. Consequently, 90 per cent of Indian scientists and engineers engaged in R & D work are employed in government-owned laboratories and development agencies. There are no close ties between these laboratories and R & D establishments and private business. Often, imported technology did not suit our resource endowments. No

worthwhile effort was made to adapt them appropriately to Indian conditions.

In fact, there has been no systematic attempt by the government towards indigenization and self-reliance in the field of technology. Repetitive and multiple technology has been imported in an indiscriminate manner disregarding the need for standardization and mass production. The luxury goods sector has been the favourite area of activity of the multinationals. A wide variety of consumer goods like bathing soaps, tooth-pastes, pharmaceuticals and toiletry, life saving drugs, pharmaceuticals, ladies' undergarments, paper, paints, chemicals, cigarettes, radios, electronic equipment, household electrical appliances like air-conditioners, refrigerators, office equipment and so on carry familiar brand names of multinational corporations. In fact, there is hardly any luxury goods in the country where multinationals do not operate.

In the case of heavy and capital goods industries, the real gain has accrued mainly from assistance from the socialist countries. In the case of others, what was transferred was in the last stages of the production cycle. Even here, we cannot claim to have established the requisite base from where we could push forward without further dependence on foreign technology.

Destruction of Indigenous Capability

In many areas, technological capabilities built up over the years have been put to disuse. This was the case in fertilizers, heavy electricals, computers and so on. The Indian fertilizer industry had made some strides in developing indigenous technology in the sphere of design, engineering and fabrication of fertilizer plants. This was made possible by the efforts of thousands of engineers and technologists working in the Planning and Development Division of the Sindri unit of the FCI, FEDO of FACT and Engineers India Ltd. They were gaining confidence through their initial mistakes. But, they had demonstrated their abilities in setting up fertilizer plants with 900 tonnes capacity per day in Sindri and Nangal. But soon the official policy was revised and a Japanese firm was invited to undertake the construction of additional plants with 900 tonnes capacity on the ostensible grounds of reducing risks by not putting all one's eggs into one basket. More recently, the World Bank insisted that the contract for setting up a 1350 tonnes per day plant at Thal Vaishet based on gas from Bombay High should be given to an American firm on the ground that Indian expertise lacked experience in setting up plants of such size and hence could not be relied on to assume responsibilities beyond acting as sub-contractors and understudies of the foreign collaborator. Finally, the contract is being awarded to a Danish firm which is a subsidiary of an Italian firm. This is done even when the economics of a plant of this size are yet to be established.

Even if it is found more economical, it is not necessary to go in for the largest size when it is needed for the domestic market. The entry of a larger plant would also call for the modernization of the existing ones, perhaps with the help of foreign collaborators. This is how the confidence and capability developed patiently through indigenous efforts are being dissipated. The story is repeated every time the plant size is scaled up.

The case of BHEL is closely similar. Earlier, capacity to produce heavy electrical equipment was built up largely with the assistance of the Soviet Union and Czechoslovakia. BHEL has been manufacturing electrical equipment with 60, 110 and 200 MW capacities for domestic installation and for exports. Here again, under the pretext of manufacturing 500 MW, for which BHEL had no earlier experience, the government entered into collaboration with Kraft Works Union (KWU), a subsidiary of Siemens of West Germany. Heavens would not have fallen if the domestic requirements of generating capacity were met by locally manufactured sets upto 200 MW. Electrical generation within the country is not competing with that from any other country abroad. The scandalous way the deal has been struck in utter disregard of indigenous capability has been fully exposed before Parliament.

The case of computers is somewhat peculiar. The ECIL had gradually developed computer hardware in the country. Although dependent on the import of some of the important equipments, ECIL managed to market computers of its own design. It is only proper that IBM, the premier computer firm in the world, was asked to wind up, especially when it refused to dilute its capital. But soon after the expulsion of IBM, the British agency, ICL, applied for a licence to manufacture computers in collaboration with the Indian firm, Kirloskar India Ltd. The new company was named International Computers Indian Manufacture Limited (ICIML), with majority share in Indian hands. The government granted the licence to produce more or less the same type of computers as ECIL. Import of such repetitive technology was an anticlimax to the high drama enacted during the expulsion of a multinational from Indian soil.

The multinationals have dominated the technological scene in drugs and pharmaceuticals in India. They produce some 250 bulk drugs and prepare around 15,000 formulations. The Hathi Committee which examined the operations of this industry identified 100 drugs and about 200 formulations as adequate for treatment of major diseases affecting 80 per cent of the population. But, contrary to the pronounced policies of the government, more licences have been granted to the multinationals which are enabled to reap fabulous profits through high pressure advertisement of their branded products to the affluent sections of the Indian population. It has been found that the rate of profits is higher in India than in the United States

and the prices charged are among the highest in the world. Yet, the government has turned a deaf ear to all public demands for the nationalization of multinational companies in drugs and pharmaceuticals.

Even more shocking is the recent decision to invite oil multinationals, including the notorious oil majors, to undertake on-shore and off-shore exploration work on a product-sharing basis. Through the 1960s the government had fought against the oil majors and developed the ONGC which had come to acquire the necessary expertise for on-shore exploration. Until recently, the government policy for off-shore exploration was that in spheres where ONGC needed special expertise or equipment, this would be acquired through outright purchase from the West only if the Soviet agencies were not in a position to provide it through collaboration agreements. Now, the oil majors are being invited back on their own terms. The ONGC is to be kept completely out of the picture in their exploratory work while all the data and results of the pre-exploratory work of the ONGC will be made available to the foreign companies. On their part, the oil majors are not required to part with any of their data findings. The last budget has also singled out these foreign companies for unprecedented fiscal concessions. The Income-tax Act would be amended to accommodate these concessions.

Open Door for Technology Imports

These are but a few outstanding examples of the open-door policy to multinationals even when domestic technology is available and that too in the public sector. More generally of course new concessions are being announced almost daily. OPEC funds are being solicited with gusto and in a whole range of industries from electronics to automobiles and steel. Foreign capital and multinational corporations are thus poised to make further penetration into the Indian economy. Monopolists are holding talks every other day with visiting foreign delegations on joint ventures. While the Indian monopolists would like to collaborate for capturing export market, the price demanded by multinationals is a chunk of the Indian market itself. Whatever be the precise bargain that is finally driven, the fact that the working class, the small producers and even the small capitalists would be the sacrificial goats of this multinational penetration is beyond doubt. While platitudes about self-reliance are trotted out, the reality is greater reliance upon multinationals. The Sixth Plan framework of course has coined a quaint formula: "Strengthening the impulses of modernisation for the achievement of economic and technological self-reliance". Since "modernisation" in current official parlance is synonymous with the induction of technology of multinationals, this objective of the Plan amounts to the following: "Greater reliance upon the multinationals for the achievement of self-reliance".

In the initial two decades, industrial development in India was largely due to imported know-how through foreign collaboration agreements which ran to about 5,200 upto 1977. The impact of indigenous R & D was minimal. Now India is consciously falling in line with the new pattern of international division of labour emerging from the nature of operations of the multinational corporations. The MNC's control the technology, the marketing channels, know-how and other more difficult steps in the production process. Sometimes, they subcontract component parts or processes to firms in developing countries. But often they prefer production in wholly-owned subsidiaries. Besides, MNC's dominate the export trade in technology. In the initial stages of product cycle, the MNC's invariably prefer to control production via subsidiaries. Normally, no licence is given for initial stages of product cycle. What is licensed is generally outdated technology by Western standards. The export-led strategy of India is envisaged within this design of international division of labour. As the UNIDO report of 1979 points out, "it is in the long run interest of the industrialised countries that the international division of labour should continue to develop along the lines established during the past decade. Continuous growth of labour-intensive and raw-material intensive industries in the developing countries, increased redeployment of capital intensive production in the last stages of the product cycle to developing countries, maintenance of capital intensive sectors in the early product cycle in the industrialised countries, and maintenance and expansion of skill-intensive industry, namely, industry requiring a more sophisticated services sector, expensive R & D facilities and a better educated labour force in the industrialised countries."

It so happens that the later or mature stage of the product cycle is characterized by low-value added components, low rates of profit, a buyers' market and established technology. Therefore, one of the requirements of the international division of labour would be that technologies needed to manufacture the goods in the last stages of the product cycle would have to be imported by the developing countries from the industrialized countries. But such an approach is but a mere continuation of the past experience of the developing countries in which it could be said that they have been basically exporters of commodities and importers of technologies of older vintage which have already spent their useful life in developed countries. The reasons why developed countries participate in technology transfer are:

- (a) to extend the life cycle of technologies;
- (d) to shift or share the cost of R & D;
- (c) to penetrate closed markets; and
- (d) to cope with an increasing international technology market.

The Indian policy in respect of imported technology is consciously or otherwise in consonance with the emerging pattern of

international division of labour. As outlined in the *Handbook on Foreign Collaboration*, 1980, "with constant technological advancement taking place in the developed countries, the need to update production technology would arise in almost all the industries over a period of time. The import of technology may be considered even in fields where foreign collaboration is not considered necessary". The current policy welcomes foreign collaboration both for updating existing technology either to meet efficiently domestic requirements or to become competitive in the export market, as well as for the manufacture of items with substantial export, backed by buy-back guarantee; in regard to high technology, moreover, the government would even permit direct foreign equity participation. Thus all areas of technology, whether the high modern technologies, or technologies already established and outmoded, ie, technologies at the final phase of the product cycle, will be imported liberally into India. The experience of Japan and the socialist countries has clearly shown that the manner and purpose of technology imports play a very important role in the development of autonomous technological capabilities in a country. This lesson has been completely forgotten while formulating policies and developing programmes in science and technology in India. In a nutshell, the science and technology policy of India lacks clarity, coherence and consistency and the R & D programme is devoid of any determined and coordinated effort.

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BOOK REVIEWS

S K BOSE (ed), *ESSAYS IN HONOUR OF DR. GYANCHAND: HE THAT BLAZED THE TRAIL*, People's Publishing House, New Delhi, Rs 55.

GYANCHAND, now approaching ninety, is full of years and honours; it was an excellent idea for some of his admirers and former students to put together a volume in his honour. Unfortunately, between the idea and its execution, a shadow has fallen. Gyanchand was a major inspiration, in the 1930s and the 1940s, for those few in the country who ventured to enquire into the premises — and promises — of socialism; with him in the fore, Patna College beckoned many bright, young ones to its campus, much in the manner of Lucknow University under D P Mukerji. However one might, in retrospect, assess Gyanchand's contributions in the fields of population and public finance analysis, there can be no question that, as a teacher, he was of a rare breed; democratic to the core, catholic in his preferences, always keeping an open door for his students. In our environment, feudal and semi-feudal attitudes permeate practically each and every sphere, not excluding the academic. Particularly in the northern parts of the country, given the retarded nature of the base, even academic pursuits have to fit into the feudal, quasi-authoritarian mould. In this milieu, Gyanchand was a dazzling exception. He encouraged students to look into new propositions. He also encouraged them to challenge old propositions. He urged students to formulate premises on their own — and question premises formulated by others. There was — and is — a certain charm in his personality — a charm directly attributable to his loyalty to the radical spirit. The serendipity which allows a teacher to discover nuggets of exciting new ideas in the scribblings of a fledgling under-graduate is virtue of a very fine order indeed. This virtue Gyanchand possessed in large measure; he was also able to transmit to his students and admirers the enthusiasm for far-out causes which conventional wisdom would warn them to leave severely alone.

The editor of the volume certainly did try to put together a worthwhile volume and he cannot be wholly blamed for the disappointing result. Many of those invited to contribute were perhaps otherwise engaged. A number of them preferred to fulfil their obligation by allowing the editor to reprint, in some form or other, papers published elsewhere or which bear the mark of a certain *pastiche*. A heterogeneity is inevitable in such collections — a heterogeneity not

just in the matter of topics covered but also in the quality of the papers. In the present instance, however, the heterogeneity has degenerated into a species of chaos. There are contributions, amongst others, from P R Brahmananda, Pradhan H S Prasad, R S Sharma, Sukhamoy Chakravarty, K N Raj, G S Bhalla, besides a foreword from A K Das Gupta. Most of the contributions, I regret to say, belie the expectations. K N Raj quotes Marx's famous ascription of small peasant proprietors as a sack of potatoes, but the doubt remains whether he is at all interested in seeing through the implications of such an ascription in the context of current Indian events: he refers to a recent economic controversy in the country, but his own bias seems to be a barrier to an effective economic analysis of the ongoing socio-political process. Sukhamoy Chakravarty's short piece is intended to highlight the fact that "the engine of growth must be in proper alignment with the steering mechanism"; one would naturally wish a lot more from him than this bland statement. What R S Sharma says about the socio-economic bases of "oriental despotism" he has said much more convincingly elsewhere. P H S Prasad holds the lack of a strong, coherent left force which could organize the masses as being directly responsible for the nation's economic stagnation. More or less the same idea is formulated in a different manner by P C Joshi. But both of them leave off where they should really begin.

The disappointing nature of the volume notwithstanding, there is at least one consolation. Several of the papers collected in the volume reflect a strong undercurrent of dissatisfaction with the existing socio-economic base, and an anxiety to assemble and dissect data on the condition of the exploited sections. Gyanchand taught his students to get away from the fetishism of poverty as an abstraction and analyse the concrete reality of the poor masses. He deserved better than the present volume; he should still be happy that his principal message nonetheless comes through.

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GERALD K. HELLEINER, INTRA-FIRM TRADE AND THE DEVELOPING COUNTRIES, The Macmillan Press Ltd, London and Basingstoke, 1981, pp 110, £15.

IT is not without reason that orthodox international trade theory has been called, to quote Galbraith, "the most depraved branch of neo-classical theory". Based on the assumption that world trade is "international", with competitive enterprises, linked solely through the market, transacting business with each other at "arm's length", its very foundations are undermined by the growing importance of intra-firm trade. These transactions between different branches of transnational corporations (TNCs) take place at central command and at arbitrary prices rather than in response to market signals. The significance of intra-firm trade was such that the author decided to concentrate upon this aspect alone rather than explore the whole range of issues involved in the relation between developing countries and TNCs as he had originally intended. The book examines the magnitude and composition of intra-firm trade, its relevance in the debate on primary commodity agreements, prospects for the growth of manufactures export from the developing countries and the pattern of protectionism in the West.

Data on intra-firm trade being sparse, the author relies upon two estimates based on U S imports: (i) a sample survey of U S imports from majority-owned foreign affiliates (MOFAs) of U S companies; and (2) imports from "related parties".

The first set of figures indicates that imports from MOFAs of U S companies are rising as a proportion of total U S imports and that the proportion is higher in the case of imports from developing countries than from developed countries. The results are misleading however, due to the preponderant weight of petroleum (84 per cent in 1975) in U S imports from MOFAs in developing countries. Whereas the proportion of imports from Europe rose between 1966 and 1975, not only was the proportion initially lower in the case of imports from the developing countries, but it actually fell significantly. This partly reflects the break-up of the old order in the case of raw materials, with developing countries seeking to diversify their sources of capital and to assert themselves. A more important reason however is the development of new forms of control by the TNCs based on minority ownership combined with contracts in technology, management and marketing. This is typical in the manufacturing sector and is

becoming more important with the expansion of the developing countries' manufactures export. The author thus argues that most studies of intra-firm trade, based as they are on the above data, tend to grossly underestimate its extent. Nor do they reflect the increasing importance of non-US firms in intra-firm US imports.

The data on US "related party" imports, a "related party" being one where 5 per cent or more of the voting stock of one party is owned by the other party to the transaction, is more appropriate. The data show that in 1977, an enormous 48.4 per cent of US imports was by "related parties". The proportion in different sub-groups increases as one proceeds from non-petroleum primary products (23.5 per cent) to semi-manufactures (32.6 per cent) to manufactures (53.6 per cent). The proportion is higher for OECD imports (53.7 per cent) than for developing countries imports (43.4 per cent overall and 28.1 per cent on excluding petroleum). However, the data do not reflect the internationalization of production alone since related party trade can be for resale or "distributional". Related party imports from the OECD countries are largely by non-US firms engaged primarily in wholesale trade whereas US firms engaged in international production account for the bulk from the developing countries.

The rapid growth of international sub-contracting further reinforced the increasing importance of intra-firm trade. While indications are that its importance is of a similar order in the case of US exports as well the trade of other developed countries, we must await detailed analysis for these as the author has done for US imports.

In recent years primary commodity producers have attempted to arrive at international agreements to stabilize prices by maintaining buffer stocks and by arriving at long-term contracts. These attempts have invited scorn in orthodox academic circles in the West as misguided attempts to interfere with the free play of market forces which should be left to determine the "appropriate" prices, production and sales. This book exposes this illusion of the free market by showing that international trade in many primary commodities is largely trade between different branches of TNCs and world prices, especially in minerals, reflect the internal price management of TNCs. Giant TNCs relate their short-term market behaviour to their long-term investment objectives in order to avoid rival producers or substitutes. They stockpile inventories in order to be able to meet sudden fluctuations in demand through inventory adjustment rather than by unstable price fluctuations. What the neo-classicals are really objecting to is not interference with the free market *per se* but interference by the developing countries in their interest, and to hide this they take refuge in the mystical *mantra* of *laissez faire*.

The most interesting and controversial argument in the book relates intra-firm trade to the development of manufacturing in the

developing countries and protectionism in the developed countries. The proportion of related party imports in US imports (1977) from developing countries is 17 per cent for semi-manufactures and 37 per cent for manufactures. Intra-firm trade is found to be much higher in capital and technology-intensive industries such as machinery (electrical and non-electrical) and rather low in the more traditional labour-intensive industries such as textiles, clothing and footwear.

The argument is based on the proposition that traditional notions of the relation between trade policy and national interests (or rather bourgeois nationalist interests) are inadequate in the present situation where internationalization of production and intra-firm trade are tremendously important. This point is illustrated by the experience of import substitution as well as the prospects of export promotion by the developing countries.

Import-substitution policies in the developing countries did not meet with opposition from the TNCs since they often relocated their industries in the developing countries and flourished behind tariff barriers. Even where the smallness of the market precluded profitable investment, TNCs began exporting intermediate inputs, equipment and know-how. The author goes on to argue that differences in attitudes and policies of developing countries towards TNCs did not make a substantial difference in the extent of TNC involvement as measured by the importance of intra-firm trade. This is shown by the fact that differences in the extent of intra-firm trade between countries in the case of individual products were small. The overall differences in the extent of intra-firm trade were due to differences in the product mix of output rather than due to different policies towards TNCs, though he does admit that the latter may affect the product mix of output. While the inadequacy of import-substitution measures as followed in most developing countries is clear (as, for example, in the extremely limited extent of import substitution in India), the generalizations in the book seem a bit sweeping. To a certain extent, indigenous production was stimulated by this process. Secondly, the product mix is determined largely by the pattern of investment and it is here that government policy towards TNCs becomes important.

It has been assumed that an increase in the manufactures export to the developed countries will call forth protectionism. The author however disputes this claim. The fastest growing manufactures exports have been in the capital and technology intensive sectors, precisely those in which intra-firm trade is the maximum. The author argues that this reflects an increasing relocation of plants by TNCs and sub-contracting in the developing countries due to the incentives offered by their governments and the lower labour costs. Thus, these manufactures exports by developing countries are under the aegis of the TNCs themselves.

The author argues that TNCs will increasingly relocate

production, increase manufactures exports of the developing countries and in turn wield their powerful political clout in favour of trade liberalization in these industries. On the other hand, exports of labour intensive, traditional manufactures from the developing countries will compete with smaller firms. Such exports will not be managed by the TNCs and hence have a more "disruptive" effect, bringing forth a clamour for increased protectionism in order to protect employment and wages. The author argues that the result will not be a general increase or decrease in protectionism but rather increased liberalization in areas where intra-firm trade is high and more protectionism for traditional industries. The author backs up his argument with the results of some studies which show that effective rates of protection are positively correlated with unskilled labour intensity in industries and the rates of reduction in effective rates of protection are positively correlated with capital and technological intensity.

The above argument sees no constraints upon the progressive relocation of plants by TNCs and the tendency towards a "new international division of labour" as they are stimulated by the cheap labour in the developing countries. However, as the crisis in the advanced capitalist countries intensifies and as the pressure of unemployment increases, it is likely that the state would be forced to take steps to curtail the freedom of most of the TNCs and to impose generalized tariffs, in the interests of the stability of the system. This might be made more possible by the interest in protectionism of a large section of firms which could not possibly "go international" and which at the same time find their competitive position eroded even in non-traditional sectors due to the ability of TNCs to take advantage of cheap Third World labour.

This book has fulfilled an important task of focussing attention on the role of intra-firm trade. The issues arising from this phenomenon are by no means limited to those considered in this book. The implications of intra-firm trade in the form of transfer pricing, evasion of the developing country's tax and exchange laws, and so on, constitute fields that call for further investigation.

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A THOUGHT FOR THE REPUBLIC DAY

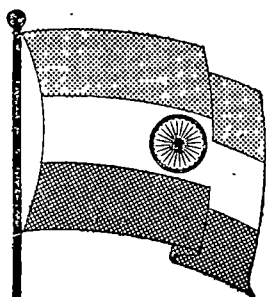
Even after three decades of independence the gap between the rich and the poor has further widened. People below the poverty line have also increased. This is due to a continued reluctance for radical land reforms and a vicious grip of the monopoly capital on our economy. Our debt to capitalist countries is threatening our economic independence.

The integrity of the nation is in jeopardy, in an atmosphere of socio-economic decadence in our country peopled by various sects and races. The forces of separatism, communalism and provincialism are on the prowl, backed by imperialist interests.

Parliamentary democracy in India is in peril. In a bid to establish authoritarian rule the democratic rights of the working people, trade unions and rights of franchise are being interfered with. A tendency to tamper with the legal system and the constitution is also visible. Attempts are underway to stifle all opposition opinions.

On the Republic Day let us resolve: Against all these unholy forces, let us be vigilant and articulate, to safeguard our economic freedom, national integration and democracy.

GOVERNMENT OF WEST BENGAL



Let Us Work for a Just Social
Order, Possible Only With Unity
of Purpose & Through
Hard Work and Co-operation

ONE
NATION
ONE
PEOPLE

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Our only indentity,

We are Indians.

Our tradition,

Unity in diversity.

Our objective,

Concerted struggle against exploitation,
deprivation, hunger and poverty.

Our greatest enemy,

Communalism, Regionalism,
Secessionist tendencies.

Our aim,

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Removal of all disparities, Checking communal
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tranquility, fraternity and democracy.

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WE ARE INDIVISIBLE
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**Contemporary Imperialism and Capital
Export □ The South Korean "Miracle"
Bondage in a Green Revolution Area
The Peace Movement in West Germany**

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Articles and note express the views of the authors and not necessarily of the Indian School of Social Sciences. Because of technical problems Communication and Book Review could not be published this time.

humanism", is the object of these neo-Marxist writings. Since, given the essential unity of all of Lenin's writings, one cannot accept some bit of Lenin and reject some other bit, since one cannot pick and choose with regard to Lenin's writings, this object of developing a Marxism without Lenin necessarily entails an attack on every aspect of his writings, including that on imperialism. Indeed, insofar as Lenin's writing on imperialism is not merely just another part of the corpus of his work but constitutes a key element in that corpus, an attack on it claims special priority from neo-Marxist writers.

A critique of this attack on Lenin's analysis of imperialism must likewise claim special priority from Marxist-Leninists. *Social Scientist* intends to devote its pages to the development of such a critique. To us any abandonment of Lenin's analysis of imperialism, as distinct from a development of that analysis to take account of contemporary realities, and hence any abandonment of Leninism is tantamount to a jettisoning of revolutionary Marxism, and its substitution by radical moralism. The lead article by Kittie Menon in the current issue brings together a wealth of facts to show that the basic tendencies outlined by Lenin still hold sway in contemporary capitalism, that with the loss of colonies, imperialism, far from just ceasing to be, has adopted new forms, new weapons and new manoeuvres. The emergence of a socialist world and the loss of colonial empires of course make today's world different from what it was in Lenin's time. In particular, while the war danger, necessarily associated with imperialism, persists and has even increased its acuteness, global wars today no longer have the same inevitability about them as they had in Lenin's time. The very strength of the socialist countries has created a situation where it is possible to mobilize wider public opinion against a global war. This is shown by the strength of the anti-war movement in Europe where the increased aggressive designs of U.S. imperialism have brought the danger of a war closer. Uwe Höering's contribution on the peace movement in the Federal Republic of Germany is interesting in this context. Written broadly from the perspective of the peace movement itself, it possibly shares some of the ambiguities of that perspective, a fact which only enhances its authenticity. Of late a view has gained currency, partly because of the assiduous sales effort of imperialist agencies like the World Bank, that the removal of trade restrictions, the dismantling of

all controls over private capital, and "open door" policy towards multinationals, together with generous "assistance" for exports, in short, the pursuit of a policy of closer integration with imperialism, would usher in development in the Third World countries. South Korea is often cited as an example. There is much talk of a South Korean "model" and the I M F conditionalities are often justified in our country in terms of the argument that they would enable us to emulate this "model". R R Krishnan, in his article, analyses this "model", shows its organic links with the existence of a ruthless military dictatorship, points to the heavy price exacted from the people, especially the peasantry, and the rising wave of popular protest in South Korea.

Suneet Chopra's study of bonded labour among brick kiln workers in Muzaffarnagar constitutes at the same time a theoretical contribution to the debate about whether or not the existence of bonded labour shows the predominance of pre-capitalist relations. The centrality of this debate to a Marxist analysis of the Indian society, to an understanding of the moment in the process of development, and hence to the basic tasks, programme and strategy of the coming revolution is obvious. Chopra's article is an extremely important contribution in this context.

Finally, Dinesh Abrol's communication on Amiya Bagchi's earlier piece, "Inventiveness in Society", questioning the latter's preference for labour intensive technology, revives in the Indian context a debate which has raged elsewhere, for example, in China, and attempts to demarcate Marxism from what he calls "technological determinism". We would welcome a debate on this question in the pages of this journal.

From the ex-colonies and semi-colonies the first break-away of Cuba from the Western hemisphere, the first break-away of Cuba from the orbit of the now mighty American imperialism, together constituted the most formidable challenge that the world capitalist system had encountered. Not only was its 200 years' monopoly of being the dominant mode of production broken, but some of its most lucrative markets were cut off, or access to them made more difficult. The socialist order and the socialist world market were emerged and grew, became a new and alien rival, not the least because of the visible and growingly attractive alternative it posed before the world's people, more particularly to those first being out in the steep climb to progress and a better

KITTI MENON*

*Imperialism and the Export of Capital
in the Contemporary Period*

THE period following the end of the Second World War has witnessed major structural changes within capitalism and developments which have considerably altered the correlation of social forces between socialism and capitalism, and within capitalism. The most significant of these developments were the emergence of a rival socialist world and the attainment of political independence by the erstwhile colonial countries. These struck a severe blow to the capitalist system through the shrinkage of its world markets and areas of exploitation which had formed crucial segments of its imperialist order. At one stroke imperialism was deprived of a vast chunk of its preserves and "spheres of influence". The loss of direct political control meant the inability of advanced capitalist countries to manipulate their colonies directly, to accommodate the difficulties experienced both in intra-capitalist struggles as well as the adverse effects of cyclical depressions in individual countries.

Equally important, the turn towards a socialist mode of production by the industrially backward economies of Eastern Europe, the ex-colonies and semi-colonies in Asia, including China, and in the Western hemisphere, the first break-away of Cuba from the orbit of the now mighty American imperialism, together constituted the most formidable challenge that the world capitalist system had encountered. Not only was its 200 years' monopoly of being the dominant mode of production broken, but some of its most lucrative markets were cut off, or access to them made more difficult; the socialist order and the socialist world market as they emerged and grew, became a new and alien rival, not the least because of the viable and growingly attractive alternative it posed before the world's people, more particularly to those fast losing out in the steep climb to progress and a better

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reserve currency, and thereby providing itself with a lever to penetrate into all other economies and to exercise an indirect and tight control over its capitalist rivals, or so it hoped. But simultaneously the seeds of future world monetary instability were sown, for the viability of the whole arrangement rested on the assumption of the stability of the dollar. Secondly, for the first time American capital went "abroad" outside the Western Hemisphere in a big way, mainly through Marshall Plan, to settle into certain types of industries in Germany and Japan, and also other European countries. These it hoped to maintain as its satellites and subordinates. Within these shattered economies the process of development began again, with the shifts and adjustments necessitated by the change in the level of productive forces. The focus of industrial production passed to microprocessors, telecommunications and petroleum, which increasingly became the key industries (it is here that the gigantic profits have been made). By contrast, ship-building, steel, textiles fell to secondary importance, and today there is almost a total stagnation in these industries. But, as Marx had observed, the development of productive forces also carries with it a greater socialization of labour; and this time new and far more powerful monopoly structures grew on the basis of the old, under the objective law of tendency towards concentration and centralization of capital.

But, to concentration and centralization, Lenin had added another attribute specific to the monopoly stage of capitalism—the internationalization of capital. It is just these three attributes that characterize the multinational corporations today. This greater concentration of economic power has of course only intensified the rivalries among the monopoly capitalist groups. The multinational corporations emerged as a result of a spate of mergers of conglomerates and consolidation of oligopolies in the bulk of manufacturing, trading, banking and retail sectors, in the 1960s and 1970s. In the 1960s, conglomerate mergers were of companies which were either direct competitors, or were in a buyer-seller relationship with each other, for example, product-extension mergers between spinning and weaving companies, or territorial-extension mergers where identical products are produced but sold in different geographical markets. The conglomerate mergers of the 1970s were of a different nature, and involved firms with vast liquid resources acquiring totally unrelated enterprises. A typical example would be the American ITT operating in 67 countries on six continents, its economic

activities extending, as it boastfully claims, from the bottom of the sea to the moon. In this way the conglomerate's resources are diversified over many different markets, the profits in some product lines carrying the losses in others. In an oligopolistic situation where a handful of firms dominate the market through their corporate land pricing policies and effectively bar other firms from entering the sector, multinational corporations become a source of enormous economic power, and for this reason they are confined to only a few of the most developed capitalist countries.

Needless to say, one aspect of this conglomerate expansion is the swallowing up of small and medium-sized manufacturing and trading companies through the ability of the conglomerate to outbid, outspend and outlose a smaller firm. Thus, the MNCs control the production and distribution of an ever greater proportion of the total volume of output of the capitalist world; and at the same time, generate and control, through a gigantic financial network, most of the movement of international capital. They have therefore become the agents for the process of capitalist accumulation on a world scale.

The corollary to this concentration of the economic levers of control has had to be highly centralized management. Gilman has recorded the significant increase (in the 1960s) in the extent and quality of management education in the U.S., in which international financial management was systematically studied to provide informed managers for fast-expanding international operations of U.S. companies and banks.

One of the most important outcomes of the tremendous increase in the internationalization of capital has been the emergence of giant international banks. Controlling credit far beyond the national incomes of many of the big and small countries of the world, they have become another lever to operate and manipulate financial flows as well as to influence economic policies in various countries. Their base is the trillion-dollar Eurodollar market, outside the central banks' regulation, the recycled oil receipts of the main OPEC countries, as well as the growing indebtedness of developing countries. This was precisely one of the spheres where the leading role of the dollar in international transactions reaped enormous dividends, rapidly multiplying the profits of the giant international banks. The largest of them is the Citicorp, which obtained 62 per cent of its profits from overseas. Morgan Guaranty, another giant,

obtained 58 per cent, and other leading banks between 45 and 50 per cent in 1980.³

Expansion of World Trade

The global framework within which the growth of MNCs has taken place, and which, in turn, has been shaped by the latter, has been the colossal expansion of world trade—from 52 billion dollars in 1948 to two trillion dollars in 1980. Trade expansion has been primarily concentrated in the developed capitalist countries and only in some of the underdeveloped. The majority of the underdeveloped countries have hardly participated in this expansion. UNCTAD studies show that anything from 50 to 95 per cent of the global commodity trade is marketed by the MNCs.⁴ In 1978, for example, 50-60 per cent of sugar and phosphates, 70-75 per cent of bananas, rice, rubber and petroleum, 72-80 per cent of tin, 85-90 per cent of cocoa, tea, coffee, wheat, cotton, timber and copper, and 90-95 per cent of iron-ore and bauxite, was marketed by the largest 15 multinationals in each field. In most cases, it is only three to six multinational traders who account for the bulk of the market.

Most of these products are vital to the Third World economies, but the prices assigned by the multinationals to them are highly discriminative and only deepen the indebtedness of these countries. As a result it is only a small part of the final price of the products that comes to the producing countries: one estimate places it at 53 per cent for tea, 15 per cent for cocoa, 48 per cent for peanut oil, 30 per cent for fruit juices, 20 per cent for bananas, 14 per cent for coffee, 32 per cent for jute, 55 per cent for copper concentrates, and 10 per cent for iron-ore.⁵ Thus, because of their domination over production and marketing, trade becomes another means of defrauding the underdeveloped countries and increasing the multinationals' profit.

The World Bank Index of Export Purchasing Power (export earnings deflated by the general price level for internationally traded commodities excluding oil) increased in the 1970s as follows:⁶ developed countries 471 billion dollars and underdeveloped countries 226 billion dollars. The 226 billion dollars break down into: oil exporters, 105 billion dollars; middle-income oil importers, 118 billion dollars and low-income oil importers (36 developing countries, including India), three billion dollars. This situation arises because of the fact that the relative prices of both their manufactured and non-fuel primary exports fell by more than for

number, which, the U.N. Centre on Transnational Corporations expected, would rise to 11,000 with 82,000 subsidiaries over the decade.⁸ In the U.S. the total value of conglomerate mergers and acquisitions, while less than 1.5 billion dollars in 1972, jumped to nearly six billion dollars by 1977.⁹ This process is a continuous one, and the magnitude of recent conglomerate annexation is suggestive of what can be expected in the 1980s, particularly after the advent of the Reagan administration. For example, Sohio, a subsidiary of British Petroleum, is to annex Kennecott (one of the world's biggest copper producers) for 1.77 billion dollars, and SOCAL (Standard Oil of California) has already offered 4.8 billion dollars for Amax, one of the world's largest mining corporations, and Seagram is bidding to buy out the St. Joe Minerals Corporation for two billion dollars. Such annexations will bring the oil majors directly into the nuclear industry, coal and a wide range of corporate activities, including retailing, office equipment and an extensive acquisition of natural resources. Clairemonte has provided data on the 1980 sales of nine petroleum giants, which illustrate the scale of accumulation available to them to extend their interests still further.¹⁰ The amounts range from 18.8 billion dollars to 10.5 billion dollars, an increase over the 1979 sales of between 30 per cent for the largest corporations and 45 per cent for the smallest.¹¹ Similar developments are to be seen in Europe where, partly, the multinational structure was encouraged as a defence against American capital penetration. In Japan, MNCs are an extension of its industrial corporations which developed out of the Zaibatsu who, even in the pre-war period, were already jointly in control of 76 per cent of the total industrial paid-up capital. Reconstituted after their dissolution by U.S. occupation after the Second World War, the "Sogo Shoshas" which were previously the "trading muscle" of the Zaibatsu, are currently responsible for purchasing, marketing, carrying of inventory and market research. Banks provide the financing and the industrial subsidiaries act as the production arm. Currently there are 14 highly sophisticated Sogo Shoshas, which can be divided into nine majors and five minors. The total revenue of the majors in 1979 amounted to 269 billion dollars (which compares with the GDP of France); and each Sogo Shosha handles between 20,000 and 25,000 products.¹² These corporate giants both cooperate and compete. A typical example of their cooperation is the take-over in July 1980 of one-third of a major Philippines copper

smelting company by three of the majors. At the same time their instability is evidenced by the wave of mergers, acquisitions and bankruptcies. Each successive economic recession reduces the ranks of the Sōgō Shōshas. Usually it is the weaker Senmon Shōshas (specialized trading firms) which are annexed, with the big banks instigating such acquisitions to protect their investments. In 257 of the 1,507 corporations, the Industrial Bank of Japan, the Nippon Credit Bank, as well as 13 city banks, are the top shareholders. Any major merger after a break-down or bankruptcy is masterminded by the Ministry of International Trade, indicating the relationship between the state apparatus and the corporate sector.

This phalanx of Sōgō Shōshas is today successfully challenging the Seven Sisters of the petroleum industry, having wrested two-fifths of the petroleum imports from them (international rivalries are clearly becoming infinitely fiercer). Their financial potential is reinforced by their harnessing of the petro-dollar surplus of the OPEC. This has given the Sōgō Shōshas an almost limitless access to finance or capital. Thus they become ideally positioned to extend long-term credits, finance international trade and provide working capital as well as investment funds. For example, re-lendings to or reinvestments in all small or medium-sized clients constitute anywhere between 30 and 40 per cent of each Sōgō Shōsha's outstanding debt at any time. No less significant is the fact that the annual amount of write-offs for bad debts often totals anywhere from 30 to 50 per cent of its annual profits in economic recessions and 15 to 30 per cent in economic expansion. Other dimensions of their activities vividly illustrate the confident aggressiveness with which they are challenging American supremacy. This is in their development of a coherent economic and intelligence network at all output and marketing levels. To take an example, in 1979, Mitsui, one of the Shōsha majors, deployed computerized centres at Tokyo for all of Asia, New York for North and Latin America, London for Europe and Africa and at Sydney for Oceania, with a Bahrain sub-centre for the special communication needs of West Asia. All of these centres are connected with each other by satellites. *Business Japan* concluded that Japan's unique business organisations, the nine leading general trading companies, must spend far more than the CIA to support their communication networks.

Japan is also reported to be forging ahead in computer

manufacturing—a sector where the U S still claims supremacy—a factor which is worrying American executives and government officials alike. This fear was expressed by Franklin J Vargo, Deputy Assistant Secretary of Commerce, when he stated that within 10 years the best computers in the world might well be made by Fujitsu and Hitachi. “If that happens it will give Japan enormous leverage in the U S in terms of foreign and defence policy, because we as a society are so dependent on computers, and that dependence will only increase”.

Currently Japan is working on the development of a super-computer that would be over 60 times faster than the best available now. It is also engaged in basic work on a fifth generation computer that could follow oral commands, as well as solve problems that nobody told it to tackle—a capacity known as “artificial intelligence” — and on development of new sophisticated semi-conductor devices.

Manless factories have already sprung up in Japan. In Nagoya, Yamazaki has opened a plant in which computer-controlled machine tools produce more machine tools exactly like themselves — robots making robots. It runs 24 hours a day with five workers in each of the first two shifts and no workers in the third shift. The main task of the workers is to check for wear on the 18 machines. A conventional factory with equal production facilities would have used 70 machines and a work force of 200.

This will inevitably raise problems of the displaced workers whom, under the capitalist system, the employers have neither any obligation to re-employ, nor any responsibility to look after. At present many large companies have the system of lifetime employment for their workers; they have for the time being redeployed some and retrained others to programme the robots that displaced them. But at best, this is only to postpone the problem, and it is yet to be seen whether all displaced workers can be redeployed. According to the Japan Industrial Robot Association, there are at present 70,000 robots operating in Japan, 7,500 on a narrower definition of robots. This is a number larger than in all other countries combined.

Such research, incidentally, is also currently being carried out in the Soviet Union; automation there however is not to take away the worker's job but is seen as a means to assist him, save labour time, reduce social costs and free people from heavy manual labour.

We have noted above that some developing capitalist countries also shared in the colossal expansion of world trade and manufacturing in the post-1945 period. The first of these is the OPEC, whose nationalized oil resources as well as the growing oil processing sector have given them a major boost in income and a financial leverage, since 1973. The OPEC's control over their oil, and the rising oil charges, which have now multiplied several times, have led to changing terms of trade to the disadvantage of the developed capitalist countries. However, the OPEC nationalization of their oil facilities did not mean immediate financial loss to the giant oil companies, since they continue to control the bulk of oil distribution and production in non-OPEC countries, their profits in sales to developed (including America) and underdeveloped countries have increased enormously. Nevertheless, to counter the long-term effect of the build-up in OPEC refining and shipping facilities, the oil monopolies, as noted above, are using their profits to buy up companies in a variety of industries, particularly energy products and minerals of all kinds, in order to increase their weight in the overall structure of monopoly capital.

The second set are some leading underdeveloped countries which have been effectively integrated as manufacturing locations for the MNCs. These include Taiwan, South Korea, Hong Kong, Singapore, Brazil and Mexico. Clairemont would include Yugoslavia and India also in this category, though the extent of their integration is clearly not as great as with the former six. This however does not rule out the possibility of further integration in the future as far as India is concerned, given the kind of economic policies desired and followed by the ruling classes and the party; the five billion SDR loan from the IMF is a means towards such further integration.

Growth in Investment

The growth of MNCs in the 1970s was accompanied by a spectacular rise in their direct investments and accumulated capital throughout the world; for example, in 1971, the total accumulated direct investment amounted to 158 billion dollars, rising to 287 billion dollars in 1976, and expected to reach 400 billion dollars in 1979. The accumulated world investment of U.S. multinationals was placed at 392,648 billion dollars for 1979, representing 48 per cent of the world total;¹⁵ it is estimated to be

215 billion dollars for 1981, as against 12 billion dollars in 1950.¹⁶ Japanese direct foreign investments rose from a little over 4.4 billion dollars in 1971 to 31 billion dollars in 1979, representing a staggering annual growth rate of 28 per cent, and a rise in its share from 2.8 per cent of the total in 1971 to nearly 8 per cent of the total in 1979. According to projections of the Japanese Economic Research Centre, by 1990 foreign investment is expected to increase to 155 billion dollars of which 44 billion dollars are slated for North America, and another major share for Europe. The underdeveloped economies are not considered sound areas for investment. This direction and configuration of investments imply an escalation of economic antagonisms in the developed capitalist world and further "marginalization" of the underdeveloped countries.¹⁸ In other words, the underdeveloped countries are to be left still further behind.

Financing of Foreign Direct Investment

The true role of direct investments can be judged by comparing the net flow of direct investments and the counterflow of profits repatriated. Taking the period 1970-1978, direct investments in underdeveloped countries totalled 42 billion dollars, while the profits from these investments repatriated to investing countries amounted to 100 billion dollars.¹⁹ This means that for every new dollar invested in the underdeveloped countries as a whole during this period, the multinationals repatriated 2.4 dollars to their country of origin.

The significance of this figure increases when we note that the proportion of total direct investments going to underdeveloped countries is declining and is less than half of that going to the developed capitalist countries. In 1967, only 31 per cent of the total of 105 billion dollars went to the underdeveloped countries against 69 per cent to developed countries; the figures for 1971 were 28 and 72 per cent respectively out of a total of 158 billion dollars, and for 1975, 26 and 74 per cent respectively, out of a total of 559 billion dollars.²⁰ Thus, the lion's share of investments continues to go to the developed capitalist countries.

However, it is not only the volume of investment which is relevant for judging the importance of investments to the donor country. This fact clearly emerges if we look at the returns on overseas investments in the case of U.S.-owned MNCs (Table I).

TABLE I

NET CAPITAL OUTLAY, TOTAL PROFITS REMITTED AND REINVESTED BY SELECTED
REGIONS AND COUNTRIES, 1970-1978
(IN MILLIONS OF DOLLARS)

	<i>Net capital outlay</i>	<i>Profits remitted to US</i>	<i>Profits reinvested</i>	<i>Total profits</i>	<i>% of total profits remitted</i>	<i>% participation in total participation</i>
All areas	37 475	83 495	61 321	144 816	57.6	100
Developed capitalist countries	27 621	41 118	44 690	85 808	48.0	71
Under- developed countries	8 701	39 685	14 802	54 487	73.0	25
Others, non- localized	1 153	2 692	1 829	4 521	59.6	4

SOURCE: Survey of Current Business, August 1980, pp 24-24, quoted in Leon, *Transnational Enterprises and the Third World*, p 15.

Firstly, we note that out of the total 37.475 billion dollars in capital exports from the US between 1970 and 1978, only 8.7 billion dollars or 23 per cent went to the underdeveloped countries; profits yielded in the underdeveloped countries, on the other hand, were 54.4 billion dollars or 38 per cent of the total profits and of these as much as 39.6 billion dollars or 73 per cent was remitted, constituting 48 per cent of total remittances. The developed countries, receiving 71 per cent of the capital exports, remitted only 48 per cent of profits yielded, which constituted only 49 per cent of total remittances.

This means that, on an average, 4.5 dollars came as income into the US for each dollar invested in the underdeveloped countries; from the developed countries the corresponding ratio was 1.4 dollars for every dollar invested. In absolute terms the total income received on US foreign investments rose from less than two billion dollars in 1950 to 11 billion dollars in 1970 and 76 billion dollars in 1980.²¹ The total income from investment in Latin America and the Caribbean rose from two billion dollars in 1970 to 22 billion dollars in 1980. The increase in income from the underdeveloped countries of Asia and Africa was somewhat slower, reaching 10 billion dollars in 1980, due largely to the nationalization of US oil holdings by the OPEC countries. Aside from oil investments, the profits of US companies from Asia and Africa have increased even faster than in the Western

hemisphere.²² Thus the underdeveloped countries are major contributors to the U S balance of payments.

Additionally, it should be noted that a good part of the multinationals' expansion in the host countries through their affiliates is financed from local resources in both developed and underdeveloped countries. Gilman's study on U S direct investment in eight OECD countries reveals that between 1966 and 1976, for a large sample of U S-owned foreign affiliates in the OECD countries, only an average of about 7.5 per cent of asset accumulation was financed by a gross outflow of dollars (and on a net basis, gross outflow less repatriated earnings, the contribution of the U S parent companies was negative). In the years 1966-1976 almost the entire increase in foreign assets owned by U S-controlled companies was financed by the internal cash flow of foreign affiliates (profits plus depreciation allowance) and by funds borrowed from foreign sources, rather than by parent company contributions of dollar financing (equity or loans). In 1966 net dollar financing equalled 11.9 per cent of total sources. In 1976 it was minus 13 per cent. In absolute terms, from 1966 to 1976, in eight sample countries, American sources contributed 3.1 billion dollars to foreign affiliates, and received 7.5 billion dollars in dividends.²³ Thus the modus operandi remains the same whether the host country is developed or underdeveloped but in the case of developed countries, what American capital does, say, to Western Europe, is counterbalanced to some extent by what West European capital does to America. This is not the case with underdeveloped countries.

International Lending Institutions

It is within this framework of pressure and plunder that the actions of the World Bank and IMF take place. These institutions are dominated by the imperialist countries—the U S is the largest shareholder owning more than 20 per cent of the equity. Set up and used precisely to manipulate the monetary, financial and economic conditions in the interests of those that control them, they in fact further worsen the financial crisis of the underdeveloped countries. The foreign debt of the UDCs most probably exceeds the figure of 500 billion dollars, growing at an annual rate of approximately 21 per cent during the 1970s. Debt servicing took 44.2 billion dollars in 1979, but this burden of debt only ties these countries all the more to the owners of finance capital.

To meet the deepening crisis and its macabre companion—

stagflation—the MNCs are now insisting that less reliance should be placed on such institutional “aid”, and more recourse should be had to commercial credit. In the words of the new World Bank president A W Clausen—a former president of the Bank of America and de facto nominee of the U S President by the open nomination procedure followed in appointing the Bank’s president—assistance to the Third World countries “must lead to proportionate growth in the economies of the donor countries”. Accordingly, the new stipulation is that for every dollar of “aid”, one dollar of commercial credit must be raised, at interest rates currently ruling at 20 to 21 per cent. In effect, therefore, there will be a rise in the average rate of interest to be paid for “aid”, and a further “flowing in” of income to the money-lenders.

The Indian example of the ICICI is a case in point. The ICICI has to raise 150 million dollars in commercial credit to match the World Bank loan of the same amount. It has decided to raise 40 million dollars in three currency loans at an average interest of 15 per cent, and 30 million dollars in bond issues at a half to three-eighths per cent above the LIBOR (the London Inter-Bank Operating Rate), which in effect means around a 21 per cent rate of interest. Since the World Bank rate is 10.6 per cent, this means that ICICI will be paying an overall interest rate of 13 per cent for getting a loan of 300 million dollars, when it had originally asked for a loan of 200 million dollars only. The story does not end here. Since the ICICI must charge higher rates from its borrowers, who must also be foreign exchange earners, there will be very few or no Indian takers; therefore the call must go to multinationals to become its clients. The trick has been done. Not only has “aid” been used to pry open an entry for private commercial capital, but the higher interest rate ensures both an income flowing in from outside investment and a greater dependence.

With regard to the aid itself, as the discussion around India’s 5.7 billion dollars loan from IMF has thrown up, the U S is pressing for a stricter imposition of conditionality on countries that seek loans and for a sharp cut-back in programmes for interest-free long-term loans. This has been accompanied by threats to cut off future contributions to the next IDA replenishment, or at least to reduce its participation in Bank programmes.

The 1981 World Bank report has already spelt this out in speaking of the need for “satisfactory national action”, by under-developed countries, “corresponding to each of the facets of global adjustment”. The first priority, according to the Bank, is to reduce

current account deficits to "sustainable" levels, for which its policy prescriptions over the next five to eight years would require consumption levels to be reduced below "what (they) would otherwise have been" so as to generate enough foreign exchange *to import what is needed to expand exports*. Throughout the 1960s, all the "global adjustment" has been on the side of the underdeveloped countries. Now, in the 1980s, too, the developed countries require that to enable *them* to adjust to the constraints imposed by the worsening of the general crisis with the least cost and greatest profitability, the underdeveloped countries must make the necessary adjustments and orientations in their policies.

Crisis and Militarization

Concentration of capital, centralization of capital, internationalization of capital—the three features pinpointed by Lenin, marking the transition of capitalism from its competitive stage to its monopoly stage—are the three distinct characteristics of present-day capitalism.

With this far stronger productive, financial and marketing base, sophisticated and instant forms of market intelligence, telecommunications and transporation, has capitalism been able to eliminate those problems and tendencies which Marx and Lenin claimed were inherent in its functioning even as it expanded and grew: the problems of cyclical expansion-contraction, unevenness in development, rivalry and antagonism among its major producing groups and centres, the irreconcilable conflict between the developed and underdeveloped segments of the same capitalist system born of the international division of labour which historically emerged with the first spread of capitalism, the immiserization of the mass of the working people even in the developed regions and the tendency towards war and preparation for war to redivide markets?

The answer to all these questions is, of course, no. The immense growth in its productive forces, far from solving any of these basic contradictions, has induced a much greater degree of instability and crisis than ever before. It is no longer just a question of rates of growth, although even these show the characteristic fluctuations—from just over 5 per cent in the 1960s, with relatively little inflation and unemployment, to highly erratic growth in the 1970s, averaging only 3.3 per cent a year (2.7 per cent in the U S; 2.8 per cent in the Federal Republic of Germany and 1.5 per cent in Britain), and finally to an average of 1.3 per

cent in 1980.²⁴

In the second quarter of last year, the US GNP dropped 2.4 per cent. Even in Japan, whose economy has consistently grown more rapidly than those of other countries, the 4 per cent annual growth rate registered in the last seven years was less than half of what it had been during the 1960s. Underlying these fluctuations has been the far greater frequency of the periodic crises, particularly in the 1970s—1969-1970, 1973-1975 and 1979-1980. The downturn in economic activity in the last two years is not confined to any one country or set of countries, but has affected all countries, developed and underdeveloped. International trade registered a growth of only 1 per cent in 1980. Of equal significance are the new features which have marked the post-war era and which were not witnessed in the inter-war period, despite the occurrence of the Great Depression. One is the phenomenon of stagflation with its corollary of unemployment; the second is the series of monetary crises which have rocked the capitalist world since the end of the 1960s.

Capitalism had known high rates of inflation in the past, for example, during the war years, or in post-war Germany of the 1920s, but never has capitalism recorded such high levels of *continuing* inflation combined with industrial stagnation. In earlier crises, prices always dropped as production fell. Now, prices continue to rise and inflation often increases in the period of recession; economic growth in the developed countries registered, for example, a decline from 4 per cent in 1976-1979 to 1.3 per cent in 1980, but inflation registered a rise from 7.5 per cent in 1976 to 8.6 per cent in 1980.²⁵

In other words, the old mechanisms are no longer functioning, and it is precisely the far greater degree of concentration and centralization, manifested in the control over economic life by a few gigantic multinationals, that accounts for the fact that prices and profits are not only maintained but even increased in periods when production is falling and the economy is in a downswing.

The capitalists know of only one policy package to curb inflation—slashing employment, slashing social security, further squeezing the underdeveloped countries. Thus both inflation and unemployment have become chronic and uncontrollable features common to all capitalist countries.

Similarly, the drastic and frequent changes in international money relations in the 1960s and 1970s, their devaluation and instability of the dollar in contrast to the relative strength of the mark,

the yen, the guilder and the Swiss franc, all these underline the inherent instability in the situation, the uneven development in the different imperialist states, the underlying trade rivalries, the weakening of the American economy absolutely and in relation to its capitalist competitors.

Stagnation, unemployment and inflation have of course deepened the social contradictions within each country. The greater profitability of the multinationals in the 1970s has been matched by the lowering of real-wage levels and living standard of the working people in all capitalist countries. To take the greatest of them, the U S A, there were 7,657,000 jobless in August 1981, representing 7.2 per cent of the work force, according to the Labour Department data; according to the trade unions, however, unemployment was as large as 10 millions. Thirteen per cent of the American population, no less than 30 million people, live below the poverty line.

"Thatcherism" in Britain and "Reaganomics" in the U S—both open and unashamed attacks on the people to make them bear the burden of the crisis—only underline the stark fact that even disguising such policies is no longer possible.

In socialist countries, by contrast, steady and planned growth (unplagued by instability, inflation, unemployment or economic rivalry) has provided rising living standards and a fuller cultural life to the people. The socialist countries also offer aid to the underdeveloped countries which, in sharp contrast to imperialist "aid", has resulted in strengthening the industrial base and economic independence of these countries; socialist aid in fact has provided them with some basis to resist imperialist pressures.

This difference in the end result of socialist and imperialist "aid" arises of course from the difference in the nature of the systems. Socialist aid is not capital seeking a field of investment for the purpose of profitable returns, capital seeking self-expansion. It does not fall into the historical category of capital and, for this reason, is not inherently exploitative.

In the sphere of international relations, it is the Soviet Union's nuclear strike capability and the socialist camp's defence preparedness which act as the greatest deterrent to imperialism's plans to perpetrate a nuclear holocaust, to its attempt to revise the political settlements of the Second World War, to its proclivity for the use of gun-boat diplomacy vis-a-vis the Third World. The very existence and continued growth of the socialist system, therefore, not only constrains the expansion of

capitalism, but further intensifies capitalism's own contradictions and further divides the capitalist powers.

As far as the underdeveloped countries are concerned, as we have seen, political independence has not meant an end to exploitation by the imperialist countries. Undoubtedly there have been changes arising out of the technological revolution and the changing needs of the developed countries, mainly manifest in the growing weight of manufacturing in direct capital investments. The mechanisms of exploitation have altered; however this has not resulted in changing the main contours of the capitalist international division of labour. Even the industries set up in Hong Kong, Singapore, South Korea, Taiwan and Mexico are essentially satellites of multinational corporations in the advanced countries, directed towards exports back to the imperialist countries. These precisely are the economies which have been integrated with the development in the imperialist countries, and therefore, must precisely be defined as neo-colonies.

Therefore we see that the underdeveloped countries still continue to be assigned a subordinate role in an international division of labour controlled by the multinational corporations.

Lastly, we must note the high degree of militarization of the economy maintained by the U.S. rulers throughout the post-war period, and indeed steadily stepped up, as the problem of markets, demand and stagnation in production has mounted. Reagan's projected military budget for 1985 is three times the actual level of 1980. In another five years direct military spending is to approximate *500 billion dollars a year*, to completely dominate the U.S. budget. This step-up in the military budget has not only meant enormous profits for American multinationals, but is being relied upon to put a floor under economic activity and to spur a certain amount of economic recovery. "Defense spending ... is developing as an increasingly important sustaining influence on the economy".²⁶ In the long run the effect will be the opposite, for such jumps in military spending will mean higher inflation, a worsening of balance-of-payments gap, higher interest rates, lower productive investment, increasing taxes and more unemployment in a U.S. economy considerably weaker than two decades ago at the time of the Vietnam war.

Simultaneously, the Reagan Administration is pressing its "allies"—of whom West Germany and Japan in particular have benefited by not having to divert any capital from productive investment to armaments—to step up their defence expenditure,

to share this "burden of defence", and to generally embark on the path of open confrontation with the socialist world. This has sharply escalated the danger of war.

The developments since the end of the Second World War reveal that the features of capitalism in its imperialist stage have only become more sharpened, but in their essence have remained unaltered; only their forms have changed. As Lenin envisaged, present-day capitalism has become far more internationalized and follows this path at a quickened pace, while the centralization and internationalization of capital have led to an extraordinary strengthening of state monopoly capitalism—the fusion of huge monopolies with the apparatus of the developed capitalist state. State policies, in the economic sphere particularly, are formulated on the basis of the interests of these monopolists.

In each individual capitalist country and in the system as a whole, social tensions and social conflicts are accentuating; between the imperialist rulers and their working people, between the imperialist powers and the underdeveloped countries, amongst the imperialist powers themselves, between imperialism and socialism the contradictions are sharpening. These were the contradictions which Lenin underlined and to which no permanent solutions could possibly be forthcoming from within the framework of the capitalist system. Practice has only increased a hundred-fold the validity of Lenin's conclusion that historically imperialism stands as the eve of proletarian revolutions.

- 1 It should be noted that this change in the nature of conglomerate mergers arose just at the time when deceleration in the world capitalist economy began to emerge.
- 2 M Gilman, *The Financing of Foreign Debt Investment*, 1981, p 124.
- 3 V Perlo, "Capitalist Economy of the Third World", paper submitted at II Congress of Third World Economists, Havana, 1981, pp 17-18.
- 4 F Clairemonte, "The Morphology of Oligopolistic and Conglomerate Capitalism, or The Realities of the New International Economic Order", paper submitted at II Congress of Third World Economists, Havana, p 1.
- 5 G Martner, *Producers-Exporters Association of Developing Countries*, Geneva, May 1979, pp 7-15, quoted in N Leon, "The Transnational Enterprises and the Third World", II Congress of Third World Economists, Havana, 1981, p 3.
- 6 *World Development Report*, 1981, World Bank, 1981, pp 21-23.
- 7 C Vaitses, *Commercialization de tecnologia in el Pacito Andino* (Market-Technology in the Andean Pact), Institute de Estudios Peruanos, 1973, in Leon, *op cit*, 20.
- 8 *Transnational Corporations in World Development: A Re-examination*, United Nations (Tables 2-8), quoted in Leon, *op cit*, p 1.

- 9 Clairemonte, *op cit*, pp 3-4.
- 10 *Ibid*, p 17, footnote 12.
- 11 *Ibid*, pp 9-14, for this and subsequent data on Sogo Shoshas.
- 12 Quoted in Perlo, *op cit*, p 15.
- 13 Clairemonte, *op cit*, p 17, footnote 4.
- 14 U N, *op cit*, quoted in Leon, *op cit*, p 1.
- 15 *Survey of Current Business*, Washington, August 1980, quoted in Leon, *op cit*, p 2.
- 16 *Survey of Current Business*, February 1981, quoted in Perlo, *op cit*, p 12.
- 17 *Business Week*, 16 June 1980, quoted in Leon, *op cit*, p 2.
- 18 Clairemonte, *op cit*, p 14.
- 19 *Handbook of International Trade and Development*, UNCTAD, Statistics 1980, Supplement, pp 250-252, quoted in Leon, *op cit*, 14.
- 20 U N, *op cit*, Table III, p 33, quoted in Leon, *op cit*, p 12.
- 21 *Historical Statistics of the U S*, Vol. II, p 864, U S Department of Commerce, Release 2/81, quoted in Perlo, *op cit*, p 12.
- 22 Perlo, *op cit*, p 12.
- 23 M Gilman, *op cit*, p 112.
- 24 *World Development Report*, *op cit*.
- 25 *Ibid*.
- 26 *Morgan Guaranty Survey*, March 1981, quoted in Perlo, *op cit*, p 7.

R R KRISHNAN*

*The South Korean "Miracle":
Sell-Out to Japan, US*

UNLIKE in the 1950s, South Korea has been projected during the last decade as an important economic power in Asia. Its economic "achievements" have been hailed by some as a "miracle". In particular, its "export-oriented strategy of development", its annual rate of growth, especially the rate of growth of its exports, have received wide publicity, so much so that it is being argued in some quarters that the South Korean "model" should be emulated by the less developed countries! This paper attempts to examine the true nature of the South Korean economy and the cost and consequences to the South Korean people of the much trumpeted economic "miracle".

The Seoul regime has sought to promote exports on an absolute priority basis. Accordingly, various measures—fiscal, monetary, physical etc—have been adopted from time to time during the last two decades to attain predetermined export targets at any cost. However, the most significant and crucial policy measure has been aimed at inducing massive foreign capital, loans and investment, on "attractive terms", which have been mostly spelt out in the Foreign Capital Inducement Law (FCIL) and related documents. We shall refer to some of the salient features of the FCIL and then proceed to examine the role of foreign capital in the South Korean economy. First, there are very few projects or areas where foreign capital is restricted or banned. These include cigarette manufacturing, red ginseng manufacturing, water supply systems, domestic airline service, railway service and power distribution-transmission projects. Second, there is no limit to foreign equity investment. The minimum amount for investment is 100,000 dollars per project. A foreign

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investment project of less than 10 million dollars does not require approval of Foreign Capital Inducement Deliberation Committee, and foreign investors are allowed to withdraw their original investment at any time. Foreign investors are also allowed to acquire "land and real estate for business purposes and to accommodate foreign workers". Third, foreign-invested companies are exempted from various tax responsibilities. They enjoy 100 per cent exemption from income, corporate, property and real estate acquisition and capital gains taxes during the first five years of operation and 50 per cent exemption in the next three-year period. Tax on dividends is waived completely during the first five years and 50 per cent in the subsequent three years. A foreigner whose country maintains taxation agreement with South Korea receives permanent exemption from taxation on his earned income. Foreign-invested enterprises have also been exempted from commodity tax and import duties, including customs duties. Fourth, unlimited remittance of principal is guaranteed. There is also a guarantee of the profit ratio of 20 per cent for a given period and guarantee of recovery of invested capital at least in five years and governmental responsibility for the sale of products of foreign-invested enterprises. Fifth, management right to foreign investors in joint ventures is also guaranteed. The guarantee of management right takes the form of assigning to the foreign investor the crucial post of vice-president of a joint venture, since the vice-president has decisive power in the management of the venture.¹ Finally, the Seoul regime enacted a law in December 1969 called the Special Law Concerning Regulations of Labour Unions and Labour Disputes at Foreign Capital Firms which bans strikes and prohibits labour disputes.²

Export Processing Zones

In addition to the above privileges and guarantees for foreign investors, the Seoul regime has offered a whole range of exclusive privileges, concessions and facilities to foreign investors in the specially administered "free export zones" in Masan (1970) and Iri (1973). The Seoul regime describes its free export zone thus:³

- (a) The export processing zone (or free export zone) is a specifically designated industrial area where foreign-invested firms (as well as joint venture firms with Korean nationals as partners) can freely import raw materials or semi-finished

goods, free of duty, and manufacture, process or assemble export products.

(b) The zone has characteristics of a bonded area where the application of pertinent laws and regulations is waived or relaxed, in whole or in part.

(c) It is a specifically designated industrial estate where the government constructs various facilities for sale or lease, including plant sites or factory (standard type) buildings for occupant firms.

(d) It is an industrial area where privileges in legal aspects and tax incentives are provided to foreign-invested (including joint venture) firms.

The explicit policy of excluding the free export zone from the application of domestic laws (alien territory within a nation), the transfer of a vast amount of central power and authority to the specially created administrative authority which also functions as a service agency for foreign firms and takes the responsibility of supplying a low-wage and disciplined labour and the infrastructural facilities, these are truly extraordinary measures to guarantee maximum freedom to foreign investors to establish themselves with a small capital outlay and begin operation immediately.

After having examined some of the important measures adopted by the Seoul regime to invite foreign capital, let us look into the sources, scale and pattern of foreign private investment in the South Korean economy. Foreign private investment approved by the Seoul regime between 1962 and 1980 totalled 1,153.769 million dollars for 863 projects, out of which the United States accounted for 235.341 million dollars for 131 projects and Japan's share was 619.116 million dollars for 646 projects. However, the actual foreign investment inflow between 1962 and 1980 totalled 1,100.554 million dollars (682.622 million dollars in cash and 417.932 million dollars in capital goods). The main sources of foreign investment have been the United States and Japan, the United States accounting for 252.026 million dollars (22.9 per cent) and Japan's share being 620.103 million dollars (56.3 per cent).⁴ Japanese investment began to flow in only after 1965 when the Japan-South Korea normalization treaty was concluded despite massive and widespread opposition to the "treaty" from the South Koreans. Within four years after the conclusion of the "treaty", Japan replaced the United States as the most important foreign investor in South Korea. Table I indicates

the ascendancy of Japan and decline of the United States in terms of private investment.

TABLE I
DIRECT INVESTMENT OF FOREIGN COUNTRIES (million dollars)

<i>Year</i>	<i>Japan</i>	<i>USA</i>	<i>Others</i>	<i>Total</i>
1962-1966	—	29.9	0.6	30.5
1967	1.5	18.0	0.6	20.1
1968	4.5	14.6	6.5	25.6
1969	17.7	6.0	6.8	30.5
1970	15.8	41.8	7.8	65.4
1971	24.7	21.7	4.5	50.9
1972	77.6	29.7	6.0	113.3
1973	295.2	12.6	6.3	314.1
1974	94.8	32.2	12.9	139.9
1975	100.0	6.0	89.0	195.0

SOURCE: Major Statistics of Korean Economy, Economic Planning Board, Seoul, 1975.

About two-thirds of foreign investment between 1962 and 1980 was distributed among industrial chemical manufacturing—200.978 million dollars (17.3 per cent), electric appliances and electronic production—143.343 million dollars (13.0 per cent), textiles and apparel manufacturing—133.130 million dollars (12.3 per cent), tourist hotels and tourism—132.195 million dollars (12.0 per cent), machine manufacturing—75.630 million dollars (6.9 per cent) and oil refining and oil derivatives manufacturing—62.465 million dollars (5.7 per cent).⁵ The list of foreign investors includes some of the leading American multinationals such as Gulf Oil, Caltex, Union Oil, General Motors, Dow Chemicals, and so on, and leading Japanese Zaibatsus such as Mitsui, Mitsubishi, Sanyo, Toshiba, Nippon Steel and so on.

In addition to inducing foreign private investment, the Seoul regime has also been going in for massive loans, both public and commercial, which totalled 325 million dollars during 1959-1966. They jumped to 330 million dollars in 1967. There has been a consistent increase in loans every year since then: 1968—339 million dollars, 1969—548 million dollars, 1970—482 million dollars, 1971—648 million dollars, 1972—650 million dollars, 1973—712 million dollars, 1974—933 million dollars, 1975—1696 million dollars, totalling 6563 million dollars.⁶

All the major South Korean firms and corporations have been built either with foreign loans or by joint investment with foreign capital. About 40 major South Korean firms are financed and dominated by Japanese capital. The Mitsui Zaibatsu

alone has given loans to 20 leading South Korean companies, including Korea Fertilizer Company and Korea Electric Company, amounting to 135 million dollars, while the Mitsubishi Zaibatsu loaned to 10 leading corporations, including the largest cement company, Ssangryong Company, amounting to 65 million dollars.⁷ How a multinational, such as Gulf Oil, has operated in South Korea is brought out by Harold Hakwon Sunoo:

Gulf Oil's initial investment was only 4.8 million dollars and owned 50 per cent of the newly created Korea Oil Company which began its business in April 1964. During ten years of its operation, Korea Oil grew rapidly, became the largest corporation in South Korea with total annual sale amount reaching approximately 57 million dollars in 1974. With such successful operation, Gulf Oil decided to increase her direct investment to 29.8 million dollars, and increased loan to 75 million dollars. Furthermore, Gulf also invested 10 million dollars, and loaned 24.6 million dollars to Chinhae Chemical Corporation as well as 43.5 million dollars loan to Korea Electric Company. Gulf also is past owner of Hangkook Ssangsa Company Limited, a fuel oil storage and distribution company, and the Ssanghung Cement Industrial Company, while she owns 100 per cent of Korea Gulf Oil. The result has been heavy profits for Gulf. By the end of 1977, Gulf remitted to the U S over 33.5 million dollars in profits from its Korea Oil alone, more than any other investor in South Korea.⁸

The following list provides a few examples of foreign capital representation in major industries in South Korea:⁹ Oil industry—100 per cent, plate glass—100 per cent, heavy chemicals, 100 per cent, pulps—100 per cent, automobiles—100 per cent, cement—65 per cent, electricity—80 per cent, locomotive wheels—80 per cent, refrigeration—57 per cent, chemical textiles—50 per cent, electronics—50 per cent, fertilizers—40 per cent.

As stated earlier, the Seoul regime has set up two free export zones, one in Masan (1970) and the other in Iri (1973) as bonded estates designed for the benefit of foreign investors. Companies eligible to establish and operate plants in the free trade zones are either 100 per cent foreign-controlled or joint foreign-Korean ventures with more than 50 per cent foreign holdings. Let us examine some of the characteristics of Masan free export Zone. When we examine the yearly breakdown of operations, country-wise investment picture, configuration of enterprises according to scale of investment, and the investment breakdown by industry, published data in all of which are

available from the MAFEZ administrative authority, a number of conclusions emerge. Japanese enterprises come at the top both in terms of number of firms and amount of investment. Nearly half of the firms are capitalized at less than 500,000 dollars. Many comparatively small Japanese firms are among those investing in Masan. However, some of the leading Japanese trading companies such as Mistui and Co Ltd (Meiko Mesal), Mitsubishi Corporation (Korea Hachiryō Footwear), C Itoth and Co Ltd (Nam Yung Metal Industry), Missho-Iwai (Masan Steel Pipe) have also invested in Masan. Electrical appliances and electronics comprise the largest portion of total investment (37.1 per cent), followed by metal working (30.8 per cent) and machinery (11.8 per cent). As a writer so aptly put it, "...we can describe the MAFEZ as an industrial estate, in which small and medium-sized Japanese firms, drawn by the special favour held out by the South Korean government, take raw materials from Japan, process them by exploiting the low-wage labour of young South Korean women, and then sell the finished product in the United States and Japan".¹⁰

In achieving export expansion, South Korea has seen the level of dependence of GNP on trade rise from 2.9 per cent in 1960, to 43.3 per cent in 1971, to 72 per cent in 1976. Lest it be construed that this is not abnormal for a country that must export for a living, it should be understood that Japan's level of dependence of GNP on foreign trade is less than 20 per cent. In other words, the high level of dependence of South Korea on the foreign trade reflects the depressive nature of its domestic economy. It also reflects the fact that the South Korean economy has developed a dual structure which has separated the international market from the domestic market. Another important characteristic of South Korea's foreign trade is that the major trading companies in South Korea are owned and operated by the Japanese and more than 40 per cent of South Korea's trade today is with Japan. Mitsui and Mitsubishi control about three-quarters of Japanese trading business in South Korea. In 1977, 81 per cent of non-government South Korean imported goods was handled by Japanese firms located in Seoul, and five leading Japanese firms, Mitsui, Mitsubishi, Sumitomo, Ito and Marubeni handled 63 per cent, worth almost two billion dollars, of the entire non-government South Korean imports.¹¹ It should also be noted that the most important trading partners of South Korea are the United States and Japan. Between 1962 and 1979, the

percentage share of the United States in South Korea's exports was, on an average, more than 30 per cent whereas that of Japan was more than 20 per cent. Similarly the percentage share of the United States in South Korea's imports was on an average more than 22 per cent whereas that of Japan was more than 36 per cent.

Impoverishment of the Peasantry

As a result of the explicit policy of promoting exports at all costs, the rural sector has been neglected, resulting in further impoverishment of the rural masses, large-scale migration to the peripheries of big cities such as Seoul and the swelling of the ranks of the unemployed. It has been estimated that in the course of but one decade (1967-1976) the rural population declined from 16.1 millions to 12.8 millions (a decline from 54.1 per cent to 27.7 per cent of the total population). Taking into account the natural increase in population, an estimated seven million rural masses left their land and many of them migrated to Seoul. Seoul's population alone registered an increase of 54 per cent from 1969 to 1979.¹² It is doubtful if anywhere else in recent history one comes across such an exodus of rural population. However, the massive migration has not been much of a relief to the impoverished countryside. Today, the South Korean countryside is seething with discontent and unrest due to a number of factors such as the increase in the proportion of tenancy, absentee landlordism, decline in cultivated acreage, concentration of the most productive farmlands in the hands of the rural rich, increase in rural indebtedness, phenomenal increase in the prices of farm inputs such as fertilizers and artificially low purchase price of rice.¹³

As a result of peasant struggles, the Syngman Rhee regime was compelled to announce a series of land reforms in early 1950s. These reforms included the ending of tenancy and some ceiling on land. However, given the social base of Syngman Rhee's regime, the land reforms were not effectively implemented and the basic structure of the South Korean countryside has not changed. At the time of the announcement of the land reforms, the ratio of tenant households to total agricultural households was about 50 per cent and rent was paid in kind, usually about 50 per cent of the crop. However, "by 1965, 7 per cent of all peasants were landless tenants, and another 23.5 per cent were renting some of the land they tilled".¹⁴ The amount of tenancy has increased rapidly since then and according to independent studies of Catholic Farmers' Association (CFA),

the proportion of tenancy has reached about the same degree as had prevailed during the time of Japanese colonial rule. According to CFA, 35-45 per cent of agricultural households are engaged as tenants, paying about 50 per cent of the crop as rent.¹⁵

The farmers are plunged deep in debt. The debt per household amounted to: in 1970—15,913 won, 1971—10,282 won, 1972—13,914 won, 1973—13,766 won, 1974—26,091 won, 1975—33,434 won, 1976—37,421 won, 1977—81,564 won.¹⁶ A number of factors have contributed to the sharp increase in debt per household. One of them has been the phenomenal increase in the price of farm inputs, such as fertilizers and farm tools. In 1976 alone, the price of fertilizers rose by 79.2 per cent and the price of farm tools by more than 60 per cent. But the Seoul regime increased the purchase price of rice by 19 per cent while the peasants had demanded 30-40 per cent increase in the procurement price of rice.¹⁷ How the peasants directly suffered as a result of the Seoul regime's "export bleeding policy" can be best illustrated by citing the export price and the domestic price of fertilizers. The export price of fertilizer was 98 dollars per tonne. Since the true cost was 120 dollars per tonne, this means a loss of 22 dollars per tonne. However, the regime sold the same commodity domestically at 240 dollars per tonne or at a profit of 120 dollars per tonne.¹⁸ In other words, the farmers were forced to subsidize the export of fertilizers by paying an excessively high domestic price.

One of the most important problems which has led to the large-scale migration of rural masses has been the low purchase price of rice paid by the Seoul regime to the producers. According to the Catholic Farmers' Association, the production cost of one 80 kg sack of rice in 1978 was 45,000 won. However, the Seoul regime set the purchase price at 30,000 won, which meant that the farmer lost 15,000 won on every 80 kg sack he sold. The table below shows how the loss of farmers have increased every year since 1975.¹⁹

<i>Year</i>	<i>Production cost</i>	<i>Government price</i>	<i>Farmers' loss</i>
1975	20,220	19,500	720
1976	27,154	23,200	3954
1977	32,484	26,000	6484
1978	45,178	30,000	15,178

All figures are in won per 80 kg sack

The Seoul regime, while denying the South Korean farmers an adequate procurement price and while not developing the agricultural capacity of South Korea, has been importing foodgrains, including rice, from the United States and Japan, to please the farm lobbies of those countries and to get a cut on the foodgrain deals. Between 1962 and 1974, South Korea imported 1.28 billion dollars worth of wheat and 854 million dollars worth of rice. It is not that the import of grain was resorted to during the years of shortages of foodgrains in South Korea. This is clear from the fact that, for instance, in 1969 rice production in South Korea amounted to over four million tonnes, a 28 per cent increase over 1968 and a 13 per cent rise over 1967. Yet the Seoul regime imported 755,000 tonnes. Similarly, in 1971, rice production was almost four million tonnes, but the Seoul regime again imported 907,000 tonnes valued at 140 million dollars. What is more significant is the fact that while the Seoul regime imported rice at 150 dollars per tonne, it sold to the Korean public at double that price.²⁰ One of the most important reasons for the Seoul regime importing foodgrains (or for that matter any major import item) has been to amass personal fortunes through kickbacks. The Tong Sun Park case, or what is known as the Koreagate scandal, clearly exposed how, for instance, the top figures in the Seoul regime colluded with the American rice exporting company (Cornell Rice and Sugar Company of New Jersey) in amassing huge personal fortunes and in bribing some American Congressmen through the America-based South Korean agent, Tong Sun Park.²¹

Inflation and the Workers

Space does not permit us to go into details regarding the Seoul regime's distorted and doctored figures of employment, inflation, consumer price and wages and so on. We shall, therefore, only briefly refer to them. According to the Seoul regime, anyone who works at least one hour a week is already classified *ex cathedra* as employed! The official inflation rate, for example, in 1978-79, which has repeatedly been revised, stood at 15 per cent while it was at least 30 per cent according to the South Korean business community and economists. Again, according to separately released official statistics, the price of basic consumer items and rent for housing had more than trebled between 1973 and 1977. However, on account of manipulation, the relevant official figures on overall consumer price showed only about 100 per cent increase.²²

The most important reason for the foreign investment has been the low wages of the South Korean workers, which the Seoul regime

boasts of. But how low? The average South Korean worker's wage is about one-fifth that of his Japanese counterpart, and one sixteenth that of an American worker. However, even these comparisons are misleading, because 60 per cent of the two million manufacturing workers earn less than 62 dollars a month.²³ In a recent survey it was revealed that 395,000 workers in 7517 factories (employing more than 16 workers each) were receiving an average monthly wage of 31,000 won or 66 dollars as of August 1978.²⁴ Again, women workers generally are paid less than 50 per cent of their male counterparts. For example, the average female worker in Masan earned 29.19 dollars a month until recently.²⁵

Out of the three important or basic rights of the workers—the right to organize, bargain and strike—the latter two have been totally denied. The Korean labour unions at organizational level have also been controlled through various means.

The Repressive System

There exists a symbiotic relationship between South Korea's "export-oriented strategy of development" and the repressive political system imposed and sustained by the military junta since it seized power through a coup d'état in May 1961 by overthrowing the civilian regime of Chang Myon. The Chang Myon regime came to power after the only fair and free elections in the history of South Korea, following the historic "students' revolution" of April 1960 which had toppled the dictatorial and despised puppet regime of Syngman Rhee. The May 1961 coup d'état had been led by Maj Gen Pak Chung Hee, a former commissioned officer of the banned Japanese Imperial Army. After he was assassinated by his protégé and confidant Kim Jai Kyu, Director of the Korean CIA, on 26 October 1979, the intense factional fight in the top echelons of the South Korean Army surfaced, in which Maj Gen Chon Doo Hwan emerged "victorious" because he more than any other "General" had the full backing of the commander of the United States forces occupying South Korea. Chon, like Pak, has "discarded" the military uniform after seizing power, and "become a civilian President". However, these sartorial changes cannot conceal the reality that since May 1961 South Korea has in fact been ruled by a military junta, irrespective of whether it is led by Pak or Chon. And South Korea's specific "export-oriented strategy" has to be seen against the overall political and economic objectives of the military junta. And these objectives have the full backing of the ruling class in the United States and Japan, the ultimate guarantors of the military regime in Seoul. Some of the important

objectives of the military regime may be mentioned. First of all, it seeks to perpetuate itself in power through continuously enlarging the size, strength and role of the army and para-military forces (South Korea has the fifth largest army in the world!). It attempts to militarize the whole society and suppress ideas and movements to civilianize and democratize the society. The extent of militarization can be seen from the fact that "all men between the ages of 17 and 50 are obliged to enrol in some form of military or para-military organisations, from the militia, into which women as well as men are now drafted at 17, through regular conscription for three or four years from the age of 20 (or membership in the National Student Defence Corps in the case of students), to militia or reserve which does not end till the age of 50. All citizens are being registered under a National Security Law which requires fingerprinting and under which detailed biographical records are kept in a central computer bank. Anyone notified that he or she is under 'protective surveillance' under this law is obliged at once to report to the authorities, (give) details of his/her income, property, family, religion and record of employment and to establish to the satisfaction of the same authorities and through suitable guarantors that he or she is of a properly anti-communist spirit and faithful to the country and its laws. Failure to satisfy on any of these counts leads to prison".²⁶

The main institution through which the military regime coordinates and executes the various measures described above is the Korean CIA described by Gregory Henderson, a leading specialist on Korea who was formerly US Cultural Attache in Seoul, as "a vast, shadowy world of an estimated 100,000 to 300,000 bureaucrats, intellectuals, agents and thugs".²⁷

Secondly, it seeks to perpetuate the artificial division of the nation.

Thirdly, it seeks to project itself as the dominant and decisive politico-military force which alone could defend anti-communism, guarantee the dominant position of the United States in South Korea, supply South Korean troops to the United States for its wars of aggression, and allow foreign capital, principally Japanese, to inundate the economy ensuring the supply of low-wage and disciplined workers. From 1964 to 1973, approximately 312,000 South Korean mercenary troops were deployed in South Vietnam at the behest of the United States. It is estimated that the United States paid more than 10 billion dollars for the South Korean troops, including 3.16 billion dollars in military assistance since 1966.²⁸ Unlike the Syngman Rhee regime, the military regime allowed the re-entry of Japan

into Korea and concluded the humiliating "normalization treaty" and accepted as repatriation some 300 million dollars in goods and services "gratis", and 200 million dollars in yen credits payable in annual instalments over a 10-year period from 1965. A further 300 million dollars were set aside for private deferred payment loans on commercial conditions to South Korean enterprises. Japanese "aid" was to be used by South Korea to import commodities from Japan, and Japan retained the right to decide what commodities were to be purchased with the funds it provided.

Fourthly, it seeks to protect and promote the interests of the comprador class which alone would have stakes in the specific type of "export-oriented strategy" and to amass huge personal fortunes through an elaborate system of kickbacks, patronage, concessions in deals with transnational enterprises.

Thus a fascist political apparatus has been imposed on the South Korean people to suppress workers, peasants, intellectuals, small and medium business enterprises, civilian politicians who dared to challenge the objectives and programmes of the military junta. What has, however, been the most galling thing for a Korean is the sell-out of the nation to the Japanese and the conversion of South Korea into an overseas branch of the Japanese economy in the name of an "export-oriented strategy". This is because no nation and people suffered more from Japanese imperialism, militarism and cultural chauvinism than Korea and its people.

The South Korean people, students, peasants, workers and intellectuals, have waged heroic struggles against the military regime and its sell-out of the nation. The struggle of the South Korean people is not merely directed against the export-oriented strategy but against the entire structure imposed and sustained by the fascist military junta.

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SUNEET CHOPRA*

*Bondage in a Green Revolution Area: A Study of
Muzaffarnagar Brick-Kiln Workers*

MUZAFFARNAGAR district presents, from the point of view of developing capitalism, a particularly favoured position. Situated in the Upper Gangetic Doab, watered by the Jamuna and the Ganges, it is part of the northern alluvial plain. Moreover, "few districts are so well protected by canals as Muzaffarnagar. Almost every part of the Upland area is commanded, the western portion by the Eastern Jamuna canal, the centre by the Deoband branch of the Upper Ganges canal, and the east by the latter main canal and the Anupshahr branch. More than 1000 square miles are commanded and 450 could be irrigated annually".¹

Work on the Eastern Jamuna canal was begun in the 1820s and completed in 1830. The Ganges canal started functioning in 1854, while the Anupshahr branch, a part of the famine relief work of 1860-61, and the Deoband branch in the 1880s, completed the main task of buttressing the district against famine. The canal system, in fact, was directly linked to famine relief. The Eastern Jamuna canal was completed after food scarcity was felt in 1827. The famine of 1837 gave a boost to the work on the Ganges canal. This was the last time the district actually felt a scarcity, and according to official reports, "since 1859 the district has practically escaped famine, and high prices in 1877, 1896 and 1900 were a source of profit to the agricultural inhabitants".²

There has been a steady progress in the commercialization of agriculture. This can be seen clearly in the faster increase in the area under sugar-cane, from 71,093 acres in 1961 to 225,449 acres in 1961 while the area under bajra, the poor man's staple food, declined from 34,226 acres to 31,669 acres. Wheat, a staple food crop of all classes

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in the area, also registered a decline from 280,259 acres in 1901 to 278,522 acres in 1961. The per capita production of cereals and pulses in the district was only 70.8 per cent of total agricultural production, in comparison with the UP state average of 79.8 per cent, while the cane crop took up 47 per cent of the total cropped area. Also, the value per acre of the crop in 1961 was Rs 315, the highest even in the western district of U.P.³

The pattern of landholdings was also favourable to the development of capitalism in agriculture, as was the composition of the class of cultivators owning most of the land. L Alaev, the Soviet scholar, notes that "most of the land was in the hands of communities of agricultural castes, whose members did not themselves keep aloof from agricultural labour".⁴ Also, there was a sufficient supply of agricultural labour to work on these farms. "In 1872 the landless male labourers in Muzaffarnagar numbered 36.5 per cent of the total male agricultural population. If we take into account the labour of women and children, and also the fact that many landholders and some tenants did not engage in physical labour, the actual share of the agricultural labour performed by the landless population evidently exceeded 40 per cent. In this respect Muzaffarnagar had a higher level of landlessness compared to many other districts, for which an average of about one-third of the physical labour in agriculture was performed by landless labourers who were dependent on the proprietors in one way or other".⁵

Moreover, the 1881 census figures showed that artisan castes were in fact labourers even if they partially retained their caste occupation. At the same time, S N Martin, a British official in the district in 1862, noted that under the colonial government's policy "the wealthy capitalists alone have been able to hold out but the *Bhychāra* (clan-field) villages have been greatly depressed", while old non-cultivating feudals like the Barah Saiyids were also losing ground.⁶

There appears to have been no ostensible bar with regard to the provision of raw materials, supply of labour or the policy of the government to the development of capitalism in agriculture. But the prevailing relations between the labourer and the employer are worth noting. Alaev points out that "in North India in the 19th Century the sporadic employment of hired labour was vital to all farms without exception for their normal functioning. This served as the economic foundation of the existence of enslaved labour, which was frequently on a scale larger than was dictated by purely economic expediency".⁷

In fact, T Fortescue notes that in the Delhi region in 1820, labourers "are considered a kind of exclusive property belonging to the

owner, and a species of fixture on the land which they have been accustomed to cultivate, that is, no other sharer can entice them away, although they are at liberty to remove".⁸ Similar relations are said to have obtained in Saharanpur and Muzaffarnagar, according to the revenue records of 1822-1833.⁹ Moreover, it is noted that such enslavement was more prevalent in "the Wertern districts" (of Uttar Pradesh).¹⁰

Thus we see that compulsion was a traditional feature of the system. It was the traditionally dependent castes—weavers, stone-masons, chamars, potters etc.—who provided the bulk of the labour force. Chicherov, in his study of the 18th century craft production, notes: "The main characteristic features of the feudal structure of production were compulsory labour, regimentation by the state of the remuneration of labour, which in many cases was combined with the arbitrary action of the feudal lords; the supply with raw materials not through purchase on the market, but mainly on the basis of feudal regimentation and monopoly".¹¹

Artisans too appear to have been working under conditions similar to those of agricultural labour. "Skilled artisans were enlisted for work at these shops by methods of non-economic feudal coercion. Their labour was strictly regimented. They could not leave the *Karkhana* on their own, were obliged to do the work they were given while the payment for their work was determined by the feudal lords".¹² In the building trade, of which the brick-makers are a part, relations were similar, and "the peculiar blending of elements of hiring and feudal coercion could be observed in India in the 16th-18th century also in other kinds of production, notably in the construction of castles, mosques, columns, gates, town walls and buildings, caravan-serais, fortresses, bridges etc".¹³ Thus it would appear that these relations were never restricted to the sphere of agriculture alone but were a pervasive feature of the organization of all production in the pre-capitalist period.

A recent survey of bonded labour estimates that 10.4 per cent of the agricultural labour force of Uttar Pradesh is still bonded, and 74 per cent of these are Scheduled Castes, 14.2 per cent backward classes and an unusually high percentage of 7.4 per cent Muslims".¹⁴ This is not surprising as we know that they are mainly descendants of craftsmen who were traditionally working under these conditions in the mediaeval *Karkhanas*. The working unit consists of two to three adults with anything upto four children. It is by all accounts a durable and tenacious institution.¹⁵

Another feature that is remarkable is that backward landlord dominated districts like Ballia and Hamirpur have a "very high"

incidence of bondage as do relatively agriculturally advanced ones like Bijnor and Bareilly, while Etah, Jhansi, Mirzapur and Basti share a "high incidence" of bondage (10,000-20,000 bonded labourers each) with those districts traditionally associated with the "Green Revolution", like Muzaffarnagar, Meerut and Saharanpur.¹⁶ This may be inconsistent with ideas people might have about the classical liberating nature of capitalist development, but it is consistent with the material cited above, especially in regard to the prevalence of a form of traditional communal slavery in the western districts.

Bondage is recognized by the people who use the term "*Bandwa Mazdoor*" or "*Bandhak*" for such forms of slavery. In the sphere of agriculture, 81.4 per cent are Harijans or Muslims and another 14 per cent backward classes.¹⁷ The survey noted that "the labourer's bondage in Uttar Pradesh is particularly severe because once in bondage he can never succeed in freeing himself".¹⁸ Four per cent of the respondents were bonded for 40-55 years, 75 per cent bonded for over three years and 10 per cent did not even know who had caused them to be bonded initially. Also, the survey noted that "the fact that a lot of bonded labourers are employed in the master's home/household demonstrates a certain antiquity of the masters in Uttar Pradesh".¹⁹

Over three-quarters of the masters belong to the upper castes, while 17.5 per cent are from the backward castes, 3.6 per cent are Muslim landlords, 0.6 per cent Sikhs and 0.4 per cent Scheduled Castes. Whatever be the caste, the masters are mainly landlords and farmers, 87.3 per cent of them subsisting entirely on agriculture, 7.3 per cent earning additionally from contracts, business or small industry (no doubt adding money-lending to their activities) and 4.6 per cent are in government service. The average number of bonded labourers held by one master (3.7) is relatively high in UP, second only to Karnataka with 4.2.²⁰

The bonded labourer is predominantly landless or owns negligible amount of land (68.3 per cent own no land, 23.3 per cent up to one acre and 4.4 per cent between one and two acres). Not only did the masters generally not allot land even for homesteads (64.2 per cent) but 5.7 per cent of the respondents declared that they had lost upto five acres of land to the masters, the average working out to 0.3 acres.²¹ The majority were bonded because they had taken loans (93.5 per cent) though some (37.2 per cent) had received land allotments also and 23.3 per cent said it was a traditional obligation.²² However, economic factors do enter into the system of bondage in Uttar Pradesh, and the survey notes that the amount of

loan is relatively high. Also, one can distinguish a "top 5 per cent who take Rs. 2000 to 7000" as an initial loan.²³ Bonded labour on the brick-kilns comes in the latter category as the owners reap enormous profits from the industry. We can see that bondage in Uttar Pradesh represents a traditional relation based on the land and credit monopoly of certain classes, and landlessness and lack of cash of others. That the number of bonded may have swelled with the growing impoverishment of small and marginal farmers does not imply that the institution of bondage has altered its pre-capitalist character totally. In fact, 81.1 per cent of the masters own no modern machinery at all. Of the remainder, 17.6 per cent own a tractor. Human labour still predominates as the main means of cultivation.²⁴

Another feature reinforces the view that this relation is a traditional one. As the survey notes, the bonded labourers in Uttar Pradesh are not as poor as not to own animals. "About 50 per cent of the families have at least one big animal (cow, bullock etc)".²⁵ Also, it is noted that "there is nevertheless a group which can be called highly-paid bonded labourers; about 10 per cent of all bonded labourers belong to this category. Their annual wages are above Rs 900, while the average for bonded labour in U P is Rs 335 per annum. One-third gets less than Rs 200 per annum, while all labourers reported that wages were much lower than agreed."²⁶ Also, while a few men labourers were not paid anything at all, 34 per cent of the women and 68.1 per cent of the children was paid less than one rupee or nothing.²⁷ A considerable number of family members of the bondslave, especially his dependants, work free for the master. This dependence as basis of the exaction of labour is an important point to note when determining the nature of relations involved in bondage.

II

The workers on the brick-kilns of Mazaffarnagar serve in conditions that are similar to those outlined above for agriculture. They hail either from the district itself or from Meerut, the neighbouring district, which has a similar historical, cultural and economic character. In Mazaffarnagar too, as in the rest of U P, the bulk of such labour is Scheduled Caste, primarily *Chamars*, who numbered 255 out of 340 respondents drawn from 23 different villages, or 75.4 per cent of our total sample. But a specific feature of this area is the high percentage of Muslim weavers working as kiln labourers. Weavers constitute the next largest population among kiln workers, numbering 75 in the sample or 22.2 per cent. Over 75 per cent of workers are illiterate, though 5.3 per cent have actually studied up to class eight. The

traditional nature of the relation is also reflected among these brick-kiln workers, 13.6 per cent of whom have studied beyond class five and are still bonded (Table I).

This is not extraordinary as Muslim bonded labour was noticed as a special feature in U P, and as they live in concentrations, their relatively high percentage in certain village cultures is no cause for surprise. What is more important is that both the Chamars and weavers were traditionally dependent on the landlord of the area, who primarily comprised Gujars, Jats, Tyagis, Saiyids, Pathans, Rajputs and Baniyas. Even today, 27 per cent of the loans was given by landed elements to the kiln workers, while almost 46 per cent was

TABLE I
CASTE AND EDUCATIONAL STATUS OF KILN WORKERS (PERCENT OF TOTAL)

<i>Caste</i>	<i>Percent of workers</i>	<i>Educational status</i>	<i>Percent of workers</i>
Chamar	75.4	Illiterate	75.7
Weaver	22.2	Just literate	0.9
Bhangi	0.3	Class III and below	6.2
Jogi	0.3	Class IV-Class VI.	7.7
Kumhar	0.3	Class VII-Class IX	8.9
Badhai	0.3	Class X and above	0.6
Teli	0.3		
Pathan	0.9		
All	100.0 (338)	All	100.0 (338)

Note:- Figures in brackets are number interviewed.

given by kiln owners, the majority of whom are landlords too. Another 15.6 per cent came from money-lenders. Thus the sources of loans and the traditional relations of dependence, far from being wiped out, continue to persist on the kilns, with some modifications, of course. Moreover, 79 per cent are landless, and the majority of others own less than three *bighas* of land (Table II).

Nor is the sanction of force absent. Out of a sample of 340, 69 respondents reported their having rebelled against bondage and being forced by the kiln owners to remain on the kiln, to perform household duties or agricultural work; in the case of women, there are cases of their being sold into slavery to prostitutes. This represents a fairly large fraction, 20.3 per cent of the total. The cases of those who do not rebel never come to public notice as very often those who enter into the relation do so willingly and feel there is no other alternative.

A few examples taken from our survey will suffice. These examples are not untypical. A worker on the kiln of Tej Pal Singh of

TABLE II
LAND OWNED BY WORKERS, SOURCE OF DEBT AND INCIDENCE OF BONDAGE
AND VIOLENCE.

Area owned (bighas)	Percent of workers	Source of loan	Percent of indebted, workers.	Violence and bondage	Number	Per- cent
Landless	79.1	1. Money-lender	15.6	Cases of violence	86	25.3
Upto 1	5.3	2. Landlord/ Farmer	27.1	Cases of bondage	69	20.3
1 to 2	5.3	3. Kiln owner/ Contractor	45.7	Total interviewed	340	100.0
2 to 3	5.9	4. Bank	0.4			
3 to 4	2.0	5. Jamadar, relatives, others	7.8			
4 to 5	0.9	6. Not recorded	3.4			
5 & above	1.5					
All	100.0 (340)		100.0 (269)			

Muzaffarnagar says: "Three years ago my wife was held back at the kiln over a matter of Rs. 1100. Since then I have been to the owner many times, but she is nowhere to be found". Another who worked at the kiln of Naresh Chand in Mathura stated: "After showing a debt of Rs. 650 at the end of the season, my wife, child and I were forced to work on his farm for four months". Another Muzaffarnagar worker was held by Kabul Singh of Manglaur in Saharanpur. "The owner promised to pay Rs. 10 per thousand bricks, but actually paid us at the rate of Rs. 6 and showed us to be indebted to the tune of Rs. 800. He kept me on his farm for four months, and my wife and daughter at his home. Now, because of this I cannot marry off my daughter. We have no freedom whatever on the kilns. We cannot meet anyone. The owner's men are on guard on us constantly". In the case of another Muzaffarnagar worker, Choudhury Vijay Pal Singh, a kiln owner of Doiwala, Dehradun, on failure to repay the initial advances, "took my house in mortgage; and made me homeless and seized my goods".

The most barbaric case perhaps is the one reported by a worker on the kiln of Chaudhuri Zile Singh of Faridabad: "At the end of the season I owed Rs. 700 for which the owner kept back my wife and daughter. When I returned with Rs. 700 my daughter was found missing. Much distressed, I came back home with my wife who then told me my daughter had been sold by the owner. A nine month long search revealed she had been sold to a prostitute of G B Road in Delhi for Rs. 2800. She was recovered, but my eldest son, for whose

education we had slaved, committed suicide on hearing his sister had been sold into prostitution. A case has been registered, but the owner has threatened to have all of us killed if my daughter gives evidence against him".²⁸

These reports resulted from a random in-depth check-up of those who in our sample had reported being held back. It confirmed the link between agrarian and kiln bondage as well as the fact that while men are bonded, the women and children are exploited as a result of that relation purely on the basis of dependency.

The working unit on the kilns is usually the nuclear family with the addition of widowed mothers, unmarried sisters or brothers, and close relatives' children. About 44 per cent of the working groups were in the range of three to five persons; some 38 per cent of over five persons. A large number of these groups had one child or two children working with them (42.6 per cent). Twenty-one per cent had no children with them and 25 per cent recorded three to five children. The use of child labour is considerable—79 per cent of the groups use child labour (Table III).

TABLE III

SIZE OF WORK GROUP, NUMBER OF CHILDREN AND AGE STRUCTURE

Family size.	Percent of group	No. of working children	Percent of group	Age group (year)	Male	Female
1-2	18.0	None	20.9	Under 25	7.4	19.9
3-5	43.7	1-2	42.6	25-35	36.9	34.9
Over 5	38.3	Over 5	11.8	Above 35	55.7	45.2
	100.0		100.0	All	100.0	100.0

In fact, these working groups correspond fairly closely to the most prevalent family size recorded for bonded labour in U P, that is, one to three adults and children. The age structure too is similar. The "relatively high" bracket of 35 and above includes nearly 56 per cent of men and 45 per cent of women. About 13.6 per cent of all workers are below the age of 25 years, 36 per cent between the ages of 25 and 35, which makes only 49.5 per cent of the adult bonded population below the age of 36 (Table III). This relatively high age of respondents has been noted in U P as bondage and pauperization become a part of the life cycle of the agricultural labourer after marriage or the birth of a child or two. That this phenomenon is a part of the agrarian life cycle is evident as nearly two-fifths of the total respondents have been working on the kilns for over 15 years. The persistence of the phenomenon has been noted by an all-India survey which states:

TABLE IV

PERIOD WORKED FOR EMPLOYER (YEARS) HOURS WORKED AND WHETHER PAID

Years worked	Percent of workers	Maximum daily hours worked	Percent of workers	Whether wages paid		
				Paid	Unpaid	Total
1	0.6	12-18	40.4	Men 100.0	0.0	100.0
2-5	24.7	18-22	54.3	Women 24.4	75.6	100.0
5-10	22.9	22+	5.3	Children 2.1	97.9	100.0
10-15	12.5					
15+	39.3					
All	100.0	All	100.0			

that "one can see from these figures that bondage in Uttar Pradesh is particularly severe because once in bondage he (the worker) can never succeed in freeing himself".²⁹ We would aver that this is not merely a function of pauperization, but the normal pattern of relations enshrined in the traditional life cycle of the agricultural labourer and artisan classes. This is further brought out by the fact that only 7.4 per cent of male respondents are under 25 and the annual increase of pauperized peasantry entering this sphere of production accounted for only 0.6 per cent of the respondents (Tables III and IV).

It would appear that what starts out as nominally free dependent labour slowly loses its nominal freedom over the years and declines into servitude, both in traditional industries like brick-kilns and in agriculture. In fact, the Muzaffarnagar evidence would make bondage appear as the traditional method of appropriating the labour of women and children as they become attached to dependent males in their life cycle. The male-oriented nature of this institution has been noted before. However, 87 per cent are married and this provides the owner access to the labour of wives and children. Our sample also shows male predominance as well as the importance of the linked female. In our sample of 339 male respondents, 332 were either married or had engaged the labour of a mother or daughter. Only seven worked with other male members.

Also, while the respondents were extremely vague regarding payment to the women, stating that they were "paid according to their work", the majority conceded that the wages of workers were paid to the man in charge of the working group. The attitude with regard to children was much clearer. Of 332 respondents only seven said that children were paid at all; 98 per cent stated that children were not paid (Table IV).

All other features of the bonded labour population are present among the kiln workers too: 78.8 per cent of them were in debt, and

49 per cent had taken over Rs 1000 initially. In fact, it was noted that where the debtors owned land they were able to secure considerable loans ranging from Rs 2000 to Rs. 10000. This is relatively high for bonded labour. Many of the kiln workers of Muzaffarnagar would thus come in the category of the top 25 per cent in U P. However, the work of kiln labourer is more intensive than that of agricultural labourer, explaining the high absolute wages.³⁰ Only 8.9 per cent take loans of less than Rs 500. Also 21.2 per cent of the workers were not in debt initially but most of them became indebted over the years. The rate at which indebtedness increases is evident from the fact that in 54.4 per cent of the cases it increased by over Rs 1000. Only 8.2 per cent (28 people) mentioned some reduction in debt (Table V).

TABLE V

RATE OF PAYMENT PER 1000 BRICKS, INITIAL INDEBTEDNESS AND GROWTH OF INDEBTEDNESS OVER WORKING PERIOD

<i>Rate per 1000 bricks (Rs.)</i>	<i>Percent of workers</i>	<i>Initial indebtedness, (Rs.)</i>	<i>Percent of workers</i>	<i>Growth of debt (Rs.)</i>	<i>Percent of workers</i>
Upto 10	8.7	None	21.2	Negative to zero	8.2
10-12	35.0	Upto 500	8.9	Upto 500	10.0
12-15	50.6	500-1000	20.9	500-1000	27.4
15+	5.7	1000 +	49.0	1000 +	54.4
	100.0	All	100.0	All	100.0

The hours of work among the kiln workers are extremely long. None of the respondents reported less than 12 hours of work a day; 40.4 per cent said they worked between 12 and 18 hours a day; 54.3 per cent stated they worked between 18 and 22 hours, and 5.3 per cent reported they worked for over 22 hours per day. By "work" they generally referred to the time they were available to the employer. Even discounting these figures for some exaggeration, the modal working day was more than 15 hours. The writer has seen even children working on occasion upto 11 in the night.

The payment made for this work was disguised under a form of "piece-work" by means of which the owner managed to escape paying for breakages, rainy days, the preparation of the brick field and so on, which was part of the traditional "free labour" he exacted along with the labour of women and children.

According to the survey, the payment per 1000 bricks (the daily output of a working group of four, including children) was on average between Rs12 and Rs 15, according to 50.6 per cent of the respondents.

while another 35 per cent placed it between Rs 10 and 12. This works out to Rs 3.25 per person for an 18-hour day, excluding the cost of unpaid labour. At the time of the survey, bricks were selling at between Rs 180 and Rs 230 per thousand, and netting the owner a clear profit of at least Rs 90 per thousand bricks, or Rs 1,08,000 per season on an average kiln producing 12 lakh bricks (though to avoid sales tax the owners claim to produce only between five and seven lakh bricks per season).

An independent study of brick workers in Meerut bears out a lot of what we have noted in Muzaffarnagar.³¹ It points out that 47 per cent of the men and 43 per cent of women among the Chamars of the area are employed from October to May on kilns in Sardhana, Nanera, Mandoli and Muzaffarnagar. While the study notes only Rs 500 as initial loan, it is not far removed from our findings as even in our study it was in Kairana *tehsil*, close to Meerut district, that the largest number of respondents (13 out of 50, or 46 per cent) had taken less than Rs 500 as a loan. But in general it appears that kiln workers in Muzaffarnagar do take at least double that amount initially.

However, in other details, the account is indeed very close to our findings. First, it notes how *Jamadars* or agents recruit labour for the kiln owners and that they are "middlemen" between the workers and owners. The contract they enter into is described as "a kind of debt bondage". But the process of how they will get deeper into debt is clear when it is explained that on return to their villages after the season is over, "there is no work available for them in the village and they raise loans in cash or grains to pull on during this period".³²

The unpaid labour is also mentioned. Not only does the worker build his place of living in his own time, but "along with this, a suitable piece of earth is selected by the labourer which is cleared of all foreign matter and is made as fine as possible for best results in brick making. No payment is made for this work". So in the beginning, for about a week, he has to sustain himself with the advance money. The account also mentions how every fortnight, "since supplies are not available on the site, it can mean half a day's loss of work". Also, "there is a loss of some workdays, as when the man goes out to bring the supplies or in case of ill-health etc. when no payment is made". To this may be added the days lost during the winter rains and breakages, not to speak of other reductions arbitrarily made by the kiln owners. The practices resorted to by them are no secret. The workers' union, according to the report cited above, gave the workers note-books to write down the amount due to them daily.

"But the Bhatta (kiln) owners destroy these books when making the final payment because there is under-reporting in their account books to avoid payment of excise duty". Thus, if there is a dispute, everything is in favour of the kiln owner as there is no evidence with the worker as to the amount of bricks produced by his working unit.

The same obtains with fixing the rate of payment, which again coincides with that in our survey. The report states that "the rate of payment is Rs. 12 for a thousand bricks near Sardhana and between Rs. 14 and Rs. 15 near Delhi. It is fixed by the arbitrary power of the Bhatta owners". Thus coercion permeates every field of relations on the brick-kilns. Although there has been a considerable expansion of the trade in recent years with the growth of house-building activity in the Green Revolution areas, this has resulted primarily in sharply increasing the amount of initial loan to attract a labourer into bondage, but then the payment and hours of work continue to be determined by the traditional coercive mechanism. In fact, the power relations obtaining in the agrarian life cycle also operate in the field of agro-industries like brick-kilns.

The hours worked also find confirmation in the said report where the author describes the working day:

The day starts early for the Bhatta workers. The woman has to complete the cooking and washing by 6 a. m. so that she can join her husband in the process of brick-making. While she is completing her housework, the man sprinkles water on the earth prepared the last evening into a dough. He kneads it with his feet to make it more pliable. If there is a young daughter she may help in cooking and the mother can help in breaking the clods of earth too. After the dough is ready, the woman hands over the rounds of mud and the men shape them into bricks with the help of a wooden mould provided by the Bhatta owner. He keeps the prepared bricks on wooden planks, also provided by the owner. The woman and the children take them to spread in the sun. The bricks have to be turned on all sides for even drying. This work is done by women and children. The morning shift is upto 2 p. m. With a break for lunch the work is resumed in the afternoon. Before retiring for the day the earth is dug and dough is prepared for the next day's work. Women and children supervise the water channel while the man digs the earth with a shovel. At 6 p. m. the man relaxes; smoking and talking to his friends or just lying on the cot in front of his hut, while the woman gets busy with the cooking of the evening meal and sleeps only after she has served

the food and washed the utensils.³³

This is the picture of the minimum work roster on a kiln, that is, 12 hours. Our study and field work experience show that very often the workers carry on till 10 to 10.30 in the night having started at 5 in the morning, with an hour's rest around 2 p.m. Jetley's assessment is on the low side, but her description certainly shows how arduous the routine is.

Also, the educational standard of the working groups as described by Jetley fits in with our statistics. She notes that "35 out of 70 families of Bhatta workers migrate seasonally with all the members of the family. These families are totally illiterate. The second type of migrant family consists of the literates as well as illiterate persons; the former, having failed to secure a job, join the family to earn a livelihood. The educated members in such families are only the males. There are 24 such families. In the third type, the man, his wife and younger children migrate to the Bhatta site, while school-going boys are left behind. The care of such sons is entrusted to a young unmarried daughter who acts as a little mother".³⁴ This type reflects the type of household that is referred to in the last case. While statistically one cannot say in how many cases education frees the family from bondage, it is clear from our data that large numbers of them revert to bondage as they are unable to educate themselves beyond a minimum level. Only that can explain why 5.3 per cent of our sample left the school after eighth standard. In fact, they were the largest single group of educated kiln workers, thus showing the persistence and permanence of bondage in spite of all efforts of the kiln workers at eliminating it.

III

How are we to understand the relations described above? There are basically two approaches to it. One stresses the development of capitalist relations within the colonial context and sees bondage as an aspect of this development. The other points out the failure of capitalist relations to develop fully and locates bondage in pre-capitalist relations modified in the colonial context. Clearly it is not merely a matter of personal predilection as to which of these explanations is correct.

The first relies on a thesis expounded in relatively little known Appendix to *Capital* (Vol I) published by Penguin in 1976, in which Marx noted that "capital subsumes the labour process as it finds it... it takes over an *existing labour process*, developed by different and

more archaic modes of production. And since that is the case it is evident that capital took over an *available, established labour process*.... If changes occur in these traditional established *labour processes* after their takeover by capital, these are nothing but gradual consequences of that subsumption. The work may become more continuous or orderly under the eye of the interested capitalist, but in themselves these changes do not affect the character of the actual labour process, the actual mode of working. This stands in striking contrast to the development of a *specifically capitalist mode of production* (large scale industry etc.); the latter not only transforms the situations of the various agents of production, it also *revolutionizes* their actual mode of labour and the real nature of the labour process as a whole. It is in contradistinction to this last that we come to designate as the *formal subsumption of labour under capital* what we have discussed earlier, viz. the takeover by capital of a mode of labour developed before the emergence of capitalist relations. The latter as a form of *compulsion* by which surplus labour is exacted by extending the duration of labour time—a mode of compulsion not based on personal relations of domination dependency, but simply on differing economic functions—this is common to both forms³⁵ of the real and the formal subsumption of labour by capital.

Marx, however, is clear that in both the real and formal subsumption of labour by capital, traditional relations of dependence are excluded. A number of studies on bondage have tried to use this frame of reference but have failed. In one such attempt, Sudipto Mundle tried to show that bondage in Palamau was a phenomenon that followed the development of capitalism in agriculture, but the argument could not be sustained factually.³⁶ More recently, Sarma Marla, while noting that “without a detailed study of the historical data for the past two hundred years it is difficult to have any clear idea of how far the phenomenon of debt bondage is linked to past tradition and practice, for it is from the end of the 18th century that agrarian relations in various parts of India began to be greatly disturbed because of the imposition of wholly new ideas and policies by the British”, concludes that “however, it can be said that much of the bondage prevalent today was during the past hundred and fifty years greatly accentuated, extended and given a moral sanction by the British sponsored (institution of) indentured labour.... While some aspects of present day bondage could quite possibly have some structural links with the earlier indigenous practices, the model which exists today and which this survey reveals in graphic manner, was seemingly copied, whether deliberately or otherwise, by the present day owners of bonded

labour from the practices enforced by the state itself through its laws and regulations with the beginning of the present century".³⁷

This argument has a number of flaws. First, as we have shown above, the institution of bondage was widely prevalent in the area under study in the early nineteenth century. Secondly, mere legislation, without the previous existence of certain categories of relations and classes, or the conditions necessary for their existence, cannot give birth to institutions like bondage, just as the passing of the Bonded Labour System (Abolition) Act of 1976 has not destroyed this institution. We can only agree with Marla's conclusion insofar as it is stated that the policies of the British government perpetuated bondage rather than eliminate it, because imperialism came to terms with the pre-capitalist relations in India and grafted a narrowly developed capitalism on a semi-feudal agrarian base. In fact, Alaev points out clearly that in Muzaffarnagar area, "the feudal or even semi-slave dependence of the agricultural labourers in the 19th Century indicates at least that this was non-capitalist stratum" and that "the employment of hired labour was in reverse proportion to the concentration level of property in land and the extent to which land was leased. It would be quite proper to conclude that the stratum of landless dependent labourers is not the result of the destruction of communities and the peasants' dispossession of land but a traditional feature of the Indian communal system".³⁸

Komarov, another Soviet scholar, stresses the fact that "the British authorities vested the landowner with essentially feudal powers over the peasants". He also points out that ryotwari, malguzari and zamindari differed in form, but they represented "one and the same method of appropriating the peasant's surplus product—feudal cash rent, which was a rent-revenue under ryotwari and village taxation systems and feudal rent in regions with a fixed tax under the Zamindari system (that) prevailed at the corresponding level of agrarian relations". As for the condition of the peasantry, under each of the three basic land revenue systems the intensification of non-economic compulsion was an inherent feature of the exploitation of the peasants. However, its intensity was far greater as "it was put into effect with all the power of the colonial state machine directly or by giving the feudal landowner feudal rights over the person and property of the peasants". This explanation views the institutionalization of bondage and other pre-capitalist relations as a result of the failure of the colonial power, and its unwillingness to allow the unfettered development of capitalism in the colonies. It is an explanation that is much more in keeping with the evidence than the other one.³⁹

Marx summarizes the system as follows: "The Zamindari and the ryotwari were both of them agrarian revolutions, effected by British ukases, and opposed to each other, the one aristocratic, the other democratic, the one a caricature of English landlordism, the other of French peasant-proprietorship, but pernicious, both combining the most contradictory character—both made not for the people, who cultivate the soil, nor for the holder, who owns it, but for the Government that taxes it".

As for the peasant, "the drawbacks of all these various systems accumulate upon him without his enjoying any of their redeeming features. The ryot is subject, like the French peasant, to the extortion of the private usurer, but has no hereditary, no permanent title in his land, like the French peasant. Like the serf he is forced to cultivation, but he is not secured against want like the serf. Like the *metayer* he has to divide his produce with the state, but the state is not obliged with regard to the *metayer*." The peasantry are reduced therefore to serfs and tenants-at-will of the state.⁴⁰

The conditions of artisans were the same, and if the Census of 1881 quoted above is anything to go by, there was little difference between them and the agricultural labour. In our study too, we find that large numbers of brick workers are weavers by caste. This lack of distinction between artisan and agricultural worker too, is traditional, if we note, as Marx does, "the domestic union of agriculture and manufacturing pursuits". Therefore, we are forced to conclude that "the surplus value the new type of landlord and the well-to-do peasant are garnering today is determined *mainly by virtue of their title* to these lands, rather than as returns on invested capital in farming as such. The rural wage-labourer...is neither really a *free wage labourer in the strict economic sense of the term* nor is an overwhelming majority of them able to secure even a subsistence wage for their work. It is, in fact, a landlordism which combines in itself both the *features of capitalism and feudalism*" and it is the failure of capitalism to overthrow the feudal relations in the agrarian sector that has allowed institutions like bondage to survive and flourish. Bondage is a persisting form of pre-capitalist relations. In other words, it is part and parcel of the mode of production that would include petty production (which may well be seen as germinating capitalist relations and applies to powerloom weavers and others), agricultural labour and at the bottom, bonded labour.

Without overthrowing the existing land relations we cannot get rid of the pernicious institution of bondage, as, "this feudal and semi-feudal relationship in agriculture cannot be abolished without

at the same time abolishing capitalist landlord relations".⁴³ This is obvious from persistence of bondage even in a "Green Revolution" area like Muzaffarnagar, representing not a formal subsumption of labour by capital but rather "a survival of a past mode of production".⁴⁴ Therefore, it is clear that our approach to the study of bondage differs radically from that of the school which generally envisages reforms within the framework of developing capitalism to eliminate this relation while we see the necessity of overthrowing the existing land relations altogether as they represent not developing capitalist forms but moribund survivals of a past mode of production.

(This paper is part of a study conducted in 1979, funded by the ICSSR, and it was read at the Department of Sociology, Punjab University, Chandigarh, in August 1981 and at the Department of Economics, Himachal Pradesh University, in 1980. The author is grateful to those who participated in the discussions for the evolution that has taken place in its form and content).

Editor's Note: Owing to the shortage of space the 15 detailed tables have been condensed to include only percentage distributions, leaving out detailed area-wise absolute figures.

- 1 *The Imperial Gazetteer of India* (new edition), Vol XVIII, p 89.
- 2 *Ibid*, pp 90-91.
- 3 *District Census Handbook* (Muzaffarnagar, UP), 1961, p 128 (Table I).
- 4 Alaev, "The Role of Landless Labourers in the North-Western Provinces of India in the 19th Century", in *New Indian Studies by Soviet Scholars* 1976, pp 59-60.
- 5 *Ibid*, pp 62-63, 66.
- 6 Quoted in Elizabeth Whitcombe, *Agrarian Conditions in Northern India*, 1971, pp 199, 129.
- 7 Alaev, *op cit*, p 69.
- 8 *Ibid*, p 59.
- 9 *Selections from the Revenue Records: North-Western Provinces*, 1872, p 89.
- 10 Alaev, *op cit*, pp 59-60.
- 11 A I Chicherov, *India: Economic Development in the 16th-18th Centuries*, 1971, p 182.
- 12 *Ibid*, pp 183-184.
- 13 *Ibid*, p 188.
- 14 Sarma Marla, *Bonded Labour in India*, National Survey on the Incidence of Bonded Labour, Final Report, 1981, p 225. Figures from pp 120-121.
- 15 *Ibid*, pp 145, 157 (Table 4), 159-169 (Tables 6, 7).
- 16 *Ibid*, p 15.
- 17 *Ibid*, pp 120-121.
- 18 *Ibid*, p 123.
- 19 *Ibid*, pp 123-124.
- 20 *Ibid*, pp 183-186 (Tables 30-33).
- 21 *Ibid*, pp 176-190 (Tables 23, 27, 37.)
- 22 *Ibid*, p 189 (Table 35).

- 23 *Ibid*, p 122.
- 24 *Ibid*, p 187 (Table 34).
- 25 *Ibid*, p 127.
- 26 *Ibid*, p 126.
- 27 *Ibid*, pp 193-194 (Tables 40, 41).
- 28 All these cases were first published in *People's Democracy*, 14 October 1979, p 9.
- 29 Marla, *op cit*, p 123.
- 30 *Ibid*, p 169 (Table 12).
- 31 Surinder Jetley, *Impact of Development on Rural Women: A Case Study from Western U P*, 1979 (typescript).
- 32 *Ibid*, pp 41-43 contain all the statements quoted.
- 33 *Ibid*, p 42.
- 34 *Loc cit*, p 41.
- 35 Karl Marx, quoted in Sudipto Mundle, *Backwardness and Bondage: Relations in a South Bihar District*, 1979, p 85.
- 36 Suneet Chopra, "Backwardness and Bondage", *Social Scientist*, Vol 8, No 7, February 1980, pp 78-79.
- 37 Marla, *op cit*.
- 38 Alaeu, *op cit*, 66.
- 39 Erik Komarov, "Content and Principal Forms of the Evolution of Agrarian Relations in India", in *New Indian Studies by Soviet Scholars*, 1976, pp 36-37.
- 40 Karl Marx, "The East India Question", in Marx, Engels, *On Colonialism*, 1978, pp 73-74 (12 July 1853); pp 78-79 (19 July 1853).
- 41 Karl Marx, "The British Rule in India", *ibid*, p 39 (25 June 1853).
- 42 P Sundarayya, Explanatory note in CPI (M) Central Committee resolution on Certain Agrarian Issues, 1973, p 4.
- 43 *Ibid*, p 6.
- 44 F Engels, *The Peasant Question in France and Germany*, 1976, p 8 (1894).

NOTE

The Peace Movement in the Federal Republic of Germany

PERHAPS that is what it was—a mass uprising against neo-absolutism, against neo-totalitarianism, against the neo-fascism of technology and the power technologists who can only conceive of politics in terms of the growth rate of nuclear stockpiles and of computer-chips in the electronic brains of missiles.¹

The “massive uprising” referred to is the Bonn demonstration of 10 October 1981, in which 300,000 people participated. This demonstration represents the initial high water-mark of the peace movement in the Federal Republic of Germany (FRG). More than 700 groups and organizations had gathered under the banner “For Disarmament and Detente in Europe”, and participants of all ages, social origin and political persuasion marched together. In the words of a trade union representative, this demonstration “...is of historic dimension. It can fundamentally transform the political landscape of our land in the long run”.²

The peace movement is a heterogeneous and spontaneous one. The various participant tendencies are united above all in their rejection of NATO’s so-called “double decision” in terms of which additional nuclear missiles are to be stationed in FRG and some other NATO countries, from 1983 onwards, and in their conviction that the danger of war in Europe will be heightened by such nuclear armaments. By mobilizing the population through actions, demonstrations and the circulation of information, these groups hope to convince the Federal government that this “double decision” cannot be implemented “politically” and that the government must therefore revoke its decision.

The “double-decision” was conceived of in December 1979—under the initiative of Federal Chancellor Helmut Schmidt himself—as an answer to the stationing of SS-20 MRBM’s in Eastern Europe by the Soviet Union. It entails installing the modern American

delivery missile, Pershing-2 and the Cruise missile in Europe, in the event of US-Soviet talks on disarmament not producing any significant results by the end of 1983. Pershing-2, in particular, is far superior to all the existing Russian missiles—including the SS-20—in terms of accuracy and penetrative capacity, and their installation would shorten the early warning period for targets in the Soviet Union to a few seconds. The advocates of the NATO resolution regard the NATO strategy as merely “arming in response”, in order to counterbalance the SS-20 missiles, whereas the critics regard it—not the least on account of the capabilities of the new missiles—as a new stage in the arms race between the two powers.³

FRG finds itself in a rather peculiar position militarily. As a NATO member, it is crammed with nuclear delivery systems like no other. The power to use these weapons, however, lies with the USA; the US president can order their use without consulting the German government. Many Europeans have become aware of this situation in the course of the past few years. On top of this, the decision to build the neutron bomb—which President Reagan took without consulting the European allies—has come as a shock. The prevalent feeling in West Germany is one of being “treated like a colony”. All this amplifies the distrust and doubts whether the USA is seriously interested in disarmament negotiations at all. The doubts began to arise particularly after President Reagan took office and the Secretary of State Haig declared that “there are issues more important than peace”.

The deployment of Pershing-2 and Cruise missiles would permit the Americans the use of a new military strategy for nuclear war. Several statements from the White House have given rise to fears that the idea of “Europeanizing the nuclear war” is being toyed with in those quarters. The hitherto current notion of a “global balance of terror” could, or so it was thought, discourage the idea that “an atomic war can be begun, regionally contained and even won”.⁴ The fear now is at least as great that the stationing of modern missiles could—in the case of tension—provoke a Russian nuclear strike against Europe.

The question as to how far these conceptions really correspond to the political and military positions of the “super powers” can be left aside here. The peace movement itself is hardly concerned with military-strategic calculations such as which side possesses the more effective “first-strike capacity” or the greater destructive potential. As far as the participants in the movement are concerned, the framework for legitimizing the arms race has broken down in view of the

manifold "over-kill capacity" possessed by both sides. The one-sided belief in the "Soviet threat", which was nourished for years in order to justify the armament programme, has lost ground to the equally strong sense of threat arising from American and NATO policies. Even unilateral disarmament thus enters the realm of the conceivable, and home governments are becoming targets of demands concerning disarmament and peace.

Cold War and Remilitarization

This swing is one of the grounds upon which the hope—quoted at the beginning of this article—for a fundamental transformation of the political scenario in West Germany can rest, since it has always been this "threat from the East" and the militant anti-communism associated with it which have provided the means for containing and isolating critical movements.

This anti-communism had conditioned developments in FRG right from its inception. After the unconditional surrender of National Socialist Germany, once the USA, with its "roll-back strategy", had initiated the cold war against its erstwhile ally, the Soviet Union, from 1946-1947 onwards, the role of "America's continental sword" naturally fell to the western part of Germany administered by the Western powers. This strategy found its domestic ally in the politics of Konrad Adenauer, which was mainly centred on the rapid attainment of sovereignty by the FRG. The result was the economic and political integration into the West, which culminated in rapid economic reconstruction with Marshall Plan aid ("the economic miracle"); remilitarization and entry into the NATO. The Paris agreement of 1955 sealed this integration into the Western bloc under the military, political and economic leadership of the USA. The price paid for this "integration" was the division of Germany into two separate states and the militarization of Europe—a development which the Soviet Union had sought to prevent, in vain, by the offer of a neutral Germany. Its internal corollary was an anti-communist campaign, supported by the trades union and the SPD as well, which culminated in banning the communist party in 1956.

The resistance within the West German population against these developments was very strong to begin with. Above all, remilitarization, which formed the nucleus of the politics of integration and division, met with widespread protest, within the SPD as well, which criticized it as "prejudiced towards the partitioning of Germany". However, it restricted itself to protests, as did the unions, which had likewise taken up an attitude of opposition after initial hesitation,

and refrained from effective parliamentary and extra-parliamentary actions against the remilitarization. Pacifism developed once again into a mass movement, which fought the Federal government's decision to equip the army with nuclear missiles in 1958. Lakhs of demonstrators marched under the slogan "Fight the Nuclear-death", with the support of the SPD and the unions, to begin with. With its Bad Godesberg programme of 1959, however, the SPD set the seal on a total break with its Marxist past, and cleared the way for exclusively parliamentary politics, which included recognizing the fundamental principles of the West German state—alliance with the West and the existence of the Bundeswehr and NATO. Its simultaneous retreat from the campaign led to the collapse of protest, and the domestic resistance against turning the Federal Republic into a "bulwark against communism" was thus dissipated. With the integration into the Western block and the economic upswing, this question retreated completely into the background.

The Peace Movement

Set against this historical and political background, the widespread response which the West German peace movement has found so quickly has surprised many. The "Krefeld appeal", for instance, which called upon the Federal government to withdraw its support to the "double decision", was signed by more than 1.5 million people within the space of a few months. Small action groups are gathering everywhere, and demonstrations, discussions, manifestations of protest against nuclear weapons, NATO, armament and war are being organized. Christians and communists, trade unionists, environmentalists and pacifists work together and find support from artists, scientists and even army generals.

Thus, the West German movement manifests perhaps the greatest diversity of all peace movements in Europe. In contrast with France and Italy, the communist party does not play the leading role here; the major initiative for the movement comes from Christian organizations. Accordingly, its pacifism is strongly influenced by Christian, moral-ethical and emotional themes; and less so by political and social categories. This makes possible, for one thing, the participation of the widest possible range of groups, who could only work together on the basis of this lowest common denominator. At the same time, however, it excludes the possibility of discussing the causes of war, as well as of determining broader social objectives.⁵

Nonetheless, it is in no way an exclusively Christian movement;

social rather it is the focal point of a multitude of practical-social and political groups and tendencies which have developed in the Federal Republic in the course of the past years, and in whose development Erhard Eppler, a member of the SPD presidium, sees the expression of a "change in consciousness of secular dimensions taking different forms".

The student movement of the 1960s was the first expression of the fact that new forces were developing in FRG, outside the established spectrum of political and social authority, into which spectrum the erstwhile "system critical" tendencies within the SPD and unions had been fully integrated. Although this movement remained largely confined to universities, schools and youth organizations, it had a lasting influence on the formulation of theoretical and soon thereafter, practical alternative for social and political protest. Numerous "Bürgerinitiativen" (citizens' initiative groups) began to arise in the 1970s around which a more or less loosely organized opposition on social and economic questions grew up, which adhered to broadly peaceful principles of resistance and direct action. Their central themes of protest are against environmental pollution and the destruction of the ecology, the construction of atomic power stations, the housing scarcity, political repression (employment restrictions on political grounds), discrimination against women, minorities and foreigners. Although these new movements often represent a social and political opposition to the destructive consequences of capitalist development and to the repressive functions of political authority, they hardly conform to the pattern of socialist tradition and even less do they follow articulate socialist objectives. In terms of their social basis, they are altogether bourgeois. If the student movement had rediscovered the classics of Marxism and socialism then the later movements receive their orientation primarily from sources such as anarchism and "Cathedral socialism" or Christianity. They learn from anthroposophists and from Far Eastern philosophers.

Many personal and organizational inter-sections and alliances are developing among these groups. At the regional level, several electoral alliances have been forged in the meantime, under rubrics such as "Alternative List" or the "Green Party", which were able to break the parliamentary-political monopoly of the established parties, and which are represented in several regional parliaments.

Apart from a few exceptions, however, these social movements found hardly any support within the working class and its organization—the SPD and the powerful West German trade unions. On the contrary, these institutions took up stances of blank and sometimes

aggressive opposition to the protest against environmental pollution, the optimism of economic growth and nuclear power. The peace movement, on the other hand, has actuated a return to anti-militaristic traditions in this class, which have been suppressed since the founding years of the Federal Republic, and which will not come to fruition without sharp conflicts and contradictions within the party and the trade unions.

The governing elite of the SPD, which holds fast to NATO and to the conviction that the threat of further armament is the best means by which disarmament talks can be helped along, was perhaps the most surprised of all at the success of the peace movement. Federal Chancellor Schmidt sought with all the means at his command—including the threat of his resignation—to suppress the discussion within the party over the double decision of 1979. He has reason to fear that the next party congress in April 1982 will decide to revoke this decision. He further tried to prevent members of the party and the parliamentary fraction from speaking at the Bonn demonstration. In spite of all his efforts, however, he was unable to contain the growing opposition to the armament policy within the party and its increasing support to the peace movement and its demands. In October 1981, for instance, 58 SPD members of parliament signed a declaration in which they greeted the Bonn demonstration as “necessary”—a step which Chancellor Schmidt viewed as a “declaration of war” on his policies. Leading politicians of the SPD are critical of the militarization, and have even become—like Eppler—spokesmen for the open criticism of governmental policy. The party president Willy Brandt himself is closer to positions taken by the peace movement than to those of governmental and NATO strategy, in that he advocates an unambiguous precedence to negotiation over further armament. Many party groupings work actively in the peace movement and within other groups, thereby openly contravening a basic principle of SPD politics which forbids cooperation between SPD members and communists.

This inner-party conflict occurs at a time when the SPD has reason to worry about its parliamentary position. The last elections in various regions resulted in its losing a considerable number of votes, partly to the CDU and partly to the “alternative” parties. The range of tendencies expressed in the SPD thus represents, to some extent, the attempt to regain votes by integrating the peace movement into the party.

However the inner-party discussions are gradually working deeper. Widespread dissatisfaction with government policy, which increasingly sacrifices basic principles of social democracy for the

sake of retaining parliamentary power, has recently led to the formation of an independent social democratic party at the regional level.

Similarly, the peace movement has led to conflicts within the trades union. The union leadership sought, by means of a double strategy, to prevent trade union organizations from supporting the Bonn demonstration: On the one hand, they banned the participation of member-groups; on the other, they published their own call for peace, opposing further militarization and demanding nuclear disarmament. However, they were equally unsuccessful in isolating the peace movement; a great number of trade union groups, and the union youth in particular, support the movement and work actively within it.

The peace movement has thus led to a vertical split within the party and trades union, between the left and right wings. The open refusal of relevant groups within both institutions to accept the limitations imposed by their leaderships, demonstrates a degree of dissent and independence unattained for a long time. This can signify that a renaissance of progressive political tendencies is taking place within the trade union movement, bringing with it a broadening of political horizons, in opposition to the self-understanding of the trade union as an institution exclusively for wage negotiations. This development may be accelerated and deepened by the economic recession in West Germany, which is characterized by low growth rates and rising unemployment.

Within the SPD too, rethinking over the disarmament question has improved the prospects for a reorientation of politics and for a possible regrouping of political forces in West Germany. It is no coincidence that the individuals who led the attack on the armaments policy within the party are the same ones who represent the positions of the extra-parliamentary protest movements and "Bürgerinitiativen" and demand that the party consider these problems and enter into a dialogue with these groups. A split in the party whether this is occasioned by the expulsion of these critical elements or by their resignation, is on the cards unless the party as a whole takes up these questions more seriously. One hope which accompanies the peace movement is that a renaissance of political and syndical positions will develop to the left of the hitherto reformist trade union practice and technocratic politics of the social-liberal coalition. The developments within the trades union and the SPD open the possibility of a restructuring of the political left, which can extend to trade unionists, social democrats, socialists and possibly even communists. With this, socialist politics, which has been fragmented and isolated for years, can once again exercise a greater influence on the social

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and political movement.

In the context of the question of nuclear armament, the peace movement has thrown up basic activities and catalysed an alliance of social forces, such as had ceased to be regarded as possible for a long time. One hopes that this is a model and a beginning of a lasting reorientation of progressive political tendencies in West Germany with regard to other issues as well.

UWE HOERING*

- 1 K Hermann, *Konkret*, November 1981.
- 2 C Goetz, executive committee member of the commercial, banking and insurance union, *Die Neue*, 20 November 1981.
- 3 A discussion regarding the level of nuclear armament of the "super powers", the military-strategic situation in Europe, the possible causes of war or the willingness of the concerned powers to disarm, cannot be carried out here, and this applies equally to the speculation over whether and how the peace movement can weaken or transform NATO, influence Euro-American relations or serve the intentions of the Warsaw Pact.
- 4 E Eppler, member of the SPD presidium, *Der Spiegel*, No 25, 1981.
- 5 This does not mean that there are no groups and individuals *at all* within the pacifist movement who discuss these issues intensively. In particular, E P Thompson's "Exterminism - Thesis" recently led to controversies and found an influential representative in Rudolf Bahro, who has become a leading theoretician of "Eco-pacifism". Bahro also belongs to that tendency which hopes to create the conditions for a reunification of Germany by fighting for a non-aligned Central Europe, and which therefore seeks to turn the "national question" into a central theme of the movement. "I find it hard to comprehend that so many of us (leftists in the FRG) are apparently willing to pass up the opportunity of integrating national emotions into a framework towards which they have never before been directed on a mass scale in Germany: towards the 'peaceful struggle for peace', towards people's sovereignty and democracy from below, ... towards preserving the home, the landscape and traditions from the levelling, terroristic embrace of the centralised state apparatus and of homeless capital, towards an ecumenical solidarity with the resistance of people against the ever-present aggression of the military-industrial mega-machine", Bahro, *Überlegung zu einem Neunsatz der Friedensbewegung in Deutschland* (Considerations on a new approach to the peace movement in Germany), *Befreiung*. No. 21, 1981, p 32.
- 6 E Eppler, *op cit*,

*A freelance journalist from Federal Republic of Germany currently in India.

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Our tradition,

Unity in diversity.

Our objective,

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Articles, note, communication and reviews express the views of the authors and not necessarily of the editors or of the Indian School of Social Sciences.

Editorial Note

THE attack on Lenin in the name of Marxism has taken a novel form in recent years. The craze now is for finding in each country or region an independent route to Marxism, a route which bypasses Lenin. Leninism then becomes merely a Russian conduit for Marxism, a conduit that not only shaped Marxism to Russian conditions, but was itself shaped by the specifically Russian heritage. Leninism then is no longer the Marxism of the era of monopoly capitalism, but only a Russian phenomenon, Marxism in a specifically Russian garb. It is put on a par with other variants of Marxism developed in other regions, each shaped by and applicable to its own specific traditions and conditions. The most self-conscious exposition of this tendency is crystallized in the concept of "Western Marxism". The idea underlying this concept is that there is an independent non-Leninist tradition of Marxism in Western Europe through Rosa Luxemburg, Gramsci, Lukacs, even down to Sartre, which is no less valid, authentic and legitimate, in the Western European context at least, than Leninism was in the Russian context. Since this very conception of Marxism amounts to a denial of its scientific basis, the dissociation from Leninism is often carried forward into a distinction between the early Marx and the late Marx, the philosophical richness of the former being contrasted favourably with the narrow "scientificity" of the latter. Sometimes, paradoxically, a rupture is located within the writings of Lenin himself, between an early Lenin of *Materialism and Empirio-Criticism* and a late Lenin of the *Philosophical Notebooks*, this late Lenin being a Lenin who has "discovered" Hegel.

Marxism-Leninism obviously demands a critique of this entire project, which starts with an excursus into the history of Marxist theory, but ends invariably with a glorification of the economic and political life under bourgeois rule in post-war Western Europe. This glorification is essential to its conception, for how else can Western European capitalism be shown to be different from the capitalism of Lenin's conception, the conception allegedly of a man coming from wretched and backward Russia and writing in the midst of a war? Two articles in this number are devoted to a critique of some of these ideas. In the lead article, Madhu Prasad critically examines the work of Perry Andersen, perhaps the most significant, influential and articulate proponent of the concept of "Western Marxism". In a review article on Debiprasad Chattopadhyaya's new book on Lenin, E M S Namboodiripad joins issue with those who bifurcate Lenin's philosophical writing into an early Lenin phase and a late Lenin phase. These two pieces in the current number carry forward our plan of using this journal as a platform for a clash between Leninist positions and those being espoused by the New Left and other similar critics of Lenin.

The drug industry in India has deservedly drawn a good deal of attention from researchers. While multinationals are not confined to this industry alone, their operations in this industry are the quintessential manifestation of their general *modus operandi*. The drug industry in this sense represents "the leading species of a large genus". Some time ago we had published an estimate of transfer pricing, that is, concealed repatriation of surplus value by the multinational companies in the drug industry. In this number we publish an exhaustive study by Kamal Mitra Chenoy and Nagesh Kumar on the drug multinationals in India, a study which at the same time is a crushing indictment of government policy with regard to the multinationals in general and the drug multinationals in particular.

Lastly, Moin Shakir in his note on National Integration draws a distinction between political integration and national integration and joins issue with a number of bourgeois theoretical approaches to the question of national integration. While the crudity of the "assimilationist" approach is obvious to many, the "pluralist" approach still commands a certain respectability; the interesting aspect of his note is the exposure of the utter vacuity of the "pluralist" approach.

MADHU PRASAD*

Leninism and "Western Marxism":

A Critique of Perry Andersen

PERRY ANDERSEN'S *Considerations on Western Marxism* is deceptively simple. Andersen, it would appear, is doing no more than situating, "a certain body of theoretical work historically...to suggest the structural co-ordinates which define its unity...as a common intellectual tradition...for this alone will enable us to see the specific novelty".¹ The result of this enterprise is the identification of "Western Marxism" as a tradition extending from 1924 to 1968 (the significance of these dates will emerge).

The initial apprehension arises at this point. For, Andersen, in claiming a tradition of Marxism, Western or otherwise, in this period appears to have "overlooked" the immense contribution of Lenin. The significance of Lenin's strategic and tactical writings for the struggle of the working class has been recognized by proletarian parties and movements the world over. Hence the ideology of the revolutionary proletariat is termed Marxism-Leninism. "Leninism is Marxism of the era of imperialism and the proletarian revolution. To be more exact, Leninism is the theory and tactics of the proletarian revolution in general, the theory and tactics of the dictatorship of the proletariat in particular".² This simple truth has evaded Andersen in his search for a "Western" Marxism.

Has Andersen done no more than "overlook" Leninism? Lenin is quoted often enough in the text, although we are told that Lenin's theoretical work suffered from the "backwardness of the "real material conditions of an intellectual discovery".³ Noting the use of the term "Leninism" after the success of the revolution in Russia, Andersen is quick to add that even here "the rapid development of Marxist theory was by no means confined to Lenin's own work" and goes on to mention Trotsky, Bukharin and

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Prcobrazensky.⁴ Still, as far as his own text is concerned, Andersen claims that "the final word rests with Lenin".

A closer look at the "structural coordinates" of the proletarian movement of the time, which are identified as having spawned "Western" Marxism, shows that this claim may be no more than a conscious attempt to conceal the fact that Andersen's account, whatever be its merits in analysing European socio-political thought, is fundamentally anti-Leninist on all questions crucial to the defence and further advance of proletarian revolution.

"In 1924", we are told, "Lenin died". The repudiation of Leninist theory that follows as Andersen presents his perspective, is carried out as an exposure of Stalin and "Stalinization". In this case the ready scapegoat is presented in terms of pure bourgeois prejudice with not a hint of an analysis of the experiences of socialist states, for which the international communist movement is constantly upbraided in the text. "Stalin's political apparatus actively suppressed revolutionary mass practices in Russia itself, and increasingly discouraged or sabotaged them outside the Soviet Union. The consolidation of a bureaucratically privileged stratum above the working class was secured by a police regime of ever intensifying ferocity: ...The most advanced country in the world in the development of historical materialism, which had out-dated all Europe by the variety and vigour of its theorists, was turned within a decade into a semi-literate backwater, formidable only by the weight of its censorship and the crudity of its propaganda".⁵

If there is no evaluation of Stalin's leadership of the Communist Party of the Soviet Union (Bolshevik), no analysis of the provocative prose, of which the above is only one sample, there is no shortage of innuendoes: "The Soviet State—caught in a vice of Russian backwardness (note, the same backwardness from which Lenin's writings suffered) without political aid from abroad—started to become endangered at home. The hardening usurpation of power by the party apparatus....belatedly became evident to Lenin himself...in 1922".⁶ And so the truth slips out. Prior to Stalin's taking over as general secretary of the party, years before the long debate with the Left Opposition which consolidated his position within the party, Lenin had become aware, and that too, "belatedly", of the "usurpation of power by the party apparatus"! Andersen's interpretation follows from his assertion that Lenin's formulations, for all the "systematization" they achieve, were after all rooted in the backwardness of the

Russian social formation and the absolutist character of the Tsarist state. Thus while "Luxemburg's political writings never attained the coherence or depth of Lenin's... (they) nevertheless contained elements of a critique of capitalist democracy, a defence of proletarian spontaneity and a conception of socialist liberty that were in *advance* of Lenin's awareness of these issues". Lenin's awareness of these issues is precisely the core of his writings. It is with such "elegance of compression" that Andersen sweeps aside the knowledge which transformed the working class movement from ineffective spontaneity to an organized force capable of devastating the rule of capital!

Failure to Grasp Imperialism

Let us, for the moment, shift the focus from polemical issues. Andersen professes concern with the "real material conditions" of intellectual discoveries (and this at least is good Marxist practice). This provides a good beginning for assessing the interpretation of Marxist thought and practice put forward by Andersen himself. What in fact were the real material conditions of Leninist theory? Was it the "backwardness of the Russian social formation and the absolutist character of the Tsarist State" as Andersen believes? If we are to be guided by Stalin's substantial definition of Leninism, Andersen's critique is clearly seen to be misguided. For, the material conditions of Leninism are not the backwardness or forwardness of any particular country but the fact that capitalism, transformed into imperialism, had "grown into a world system of colonial oppression and of the financial strangulation of the overwhelming majority of the population of the world by a handful of 'advanced' countries". This real condition led Lenin to conclude that "out of the universal ruin caused by the war a world-wide revolutionary crisis is arising which, however prolonged and arduous its stages may be, cannot end otherwise than in a proletarian revolution and in its victory".⁷

Failing to grasp the historical significance of Lenin's formulation, and thereby of the October Revolution itself, Andersen begins to see an epochal event within the narrow confines of a historical "conjuncture" in which a triumphant but beleaguered revolutionary state is unable to aid the embattled working class of the European countries. Perhaps struck by the triviality, albeit truth, of this statement, Andersen seeks to substantiate it by a thesis which repudiates the essence of Lenin's analysis. "These defeats (of the European working class) were not of course primarily due to subjective mistakes or failures: the latter were sign of the objectively

superior strength of capitalism in Central and Western Europe where its *historical ascendancy* over the working class had survived the war".⁸ In the entire body of Marxist literature it would be difficult to find a basis for this concept of "historical ascendancy" which survives or is a casualty of war!

The transformation of capitalism into its highest stage, imperialism, is, as Lenin points out, the product of irreversible economic processes. The crisis-ridden nature of the capitalist production system requires, and this is amply substantiated historically, the formation of monopolies and cartels, which increasingly lose their temporary character as aids to overcome specific crises and become the dominant form of the organization of production under capitalism. The impact of this process in the sphere of economic activity "is something quite different from the old free competition between manufacturers scattered and out of touch with one another and producing for an unknown market. ... We no longer have competition between small and large, between technically developed and backward enterprises. We see here the monopolists throttling those who do not submit to them. ... Although commodity production still 'reigns' and continues to be regarded as the basis of economic life, it has in reality been undermined and the bulk of the profits go to 'geniuses' of financial manipulation".⁹

Socialization of the production process and the control of sources of raw materials, as also of markets, are the necessities demanded by the massive scale of production objectively possible with the growth of technology and by the need for raising the level of profitability of capital. It is obvious that this process not only should but did, and still does, provide an enormous impetus to technological development in increasing productivity to unforeseen heights. The crux of the matter however is that this process did not lead to the material prosperity and well-being of society as a whole; rather it *aggravated* sharply the *disparities* in different sectors of the economy in given countries. Consequently, disparities in conditions of life between different classes within the same society, and between the populations of the "advanced" and "backward" countries, also increased. The reason for this, Lenin points out, is basic to the nature of capitalism itself: the socialization of production does not alter the mode of appropriation. This remains private, with the significant qualification that in the stage of imperialism, the term "private" does not refer merely to individuals but to powerful financial oligarchies capable of bending societies and governments to their will. Nor is this capacity

reduced under conditions of state monopoly capitalism, which represents a higher form of organization of the most advanced monopoly sections.

To put it in Marxist terminology, the anarchy in production, and hence in all spheres of social life, which is the fundamental cause of crises in capitalist society, is not resolved but heightened and extended to world-wide proportions with the rise of imperialism. Lenin is emphatic on this latter aspect, repeatedly asserting that whereas "capital exporting countries" divide the world among themselves in the figurative sense, "finance capital" has led to the actual division of the world. Unevenness of development internationally alters the magnitude of the contradictions and hence of the crises which continue to affect world capitalism, giving rise to fresh contradictions within the capitalist system as a whole. Lenin thus remains unimpressed by factors like "the superior strength of capitalism in Central and Western Europe". Seeing the parasitic nature of this "strength" he avoids a mechanistic interpretation of these twin features, revealing the inherent tensions they create: "On the whole capitalism is increasing far more rapidly than before; but this growth is not only becoming more and more uneven in general, its unevenness also manifests itself, in particular, in the decay of the countries which are richest in capital (Britain)".¹⁰

Lenin thus provides a "composite picture of the world capitalist system in its international relationship" exposing the *class content* of the twentieth century capitalism, "regardless of the form of government and all other 'details'".¹¹ Such secondary features alter with varying, relatively specific and temporary conditions but they do not alter the class content which positively *cannot* change while classes exist. Arguing against critics, Lenin stressed that forms of struggle or agreement between capitalist associations cannot be substituted for the substance of this struggle or agreement. Similarly, transitional forms of the state dependence imposed on other territories and nations cannot alter the fact of their domination by the rule of finance capital.

In preference to this analysis which has led to the successful union of the two major tendencies threatening imperialism (proletarian revolutions and national liberation struggles), Andersen presents a truncated and evidently distorted picture of the world situation. For him, just as "capital proved stronger everywhere outside Russia" after the 1914-1919 war, so also, after a distressing but apparently historically irrelevant period of crushing economic slumps and fascist

dictatorships which culminated in the post-war formation of an integrated socialist camp comprising half the European continent, this new entity, "Central and Western European capitalism", has romped happily from "economic dynamism" to "fully universal suffrage", a "spontaneity" and "democracy" well in advance of Lenin's awareness.

"The next twenty years (from 1945 onwards) exhibited an economic and political pattern diametrically contrasted with that of the inter-war period. There were no reversions to military or police dictatorships in the major Western European countries. Parliamentary democracy based on fully universal suffrage for the first time in the history of capitalism became stable and normal throughout the advanced industrial world. Nor was there any repetition of the catastrophic slumps of the twenties and the thirties. On the contrary world capitalism enjoyed a long boom of unprecedented dynamism, the most rapid and prosperous phase of expansion in its history."¹²

Andersen is not merely providing a description, however one-sided, of the period in question. He would have us conclude that imperialism, as Lenin had characterized and defined it, had vanished into thin air, "...for this was also the *epoch* of an unparalleled objective consolidation of capital throughout the advanced industrial world....this period effectively inaugurated a new phase in the development of the mode of production as such, apparently confounding classical predictions...."¹³ Unfortunately he is more or less silent on what could be the basis for this rather optimistic and, as one can now clearly see, hasty judgement on the historical implications of the boom years for advanced capitalist economies. In a footnote he indicates that the "post-war pattern of counter-cyclical demand management" may yet prove to be the key concept capable of directing Marxist economic theory from the "confounding classical predictions" of Lenin to the new understanding of Andersen and his ilk.

Andersen is either ignoring, or else is ignorant of the fact that, even in a period as favourable as the one to which he so conveniently limits himself, no pattern of "demand management" could offer a miraculous solution to overcome the class contradictions identified by Lenin as the basis of what are here poorly termed his predictions. On the contrary, the increased state involvement and investment in the economy and an unprecedented militarization in the post-war period temporarily boosted the economies of the advanced capitalist countries in a manner not only indicated but outlined by Lenin in his analysis.

It must be noted that Andersen's use of terms like "objective",

"epoch" and "mode of production as such" is mere phraseology. The concepts have been deprived of the strictly defined content of their Marxist use. They are employed here only to create the illusion that the picture Andersen offers is of the same dimension as Lenin's analysis and thus could form the outlines of an alternative.

Events from 1968 onwards have belied Andersen's hopes even more, falling very much in line with "classical predictions". Crises have remained a part of the experience of capitalism. This is not only so in its "backward" regions where total subordination to the major imperialist powers is the only "alternative" to a permanently handicapped and increasingly unmanageable political economy, but is emerging significantly as a feature even of capitalism's "advanced zones". To take the United States of America and Great Britain as examples, increasing unemployment, inflation and continuing recession have led to avowedly right-wing policy shifts on the part of the Reagan administration and the Thatcher government.

Prettifying Bourgeois Democracy

Andersen's confidence in the capacity of capitalism in the "advanced industrial countries" to rejuvenate and consolidate itself is matched by his faith in representative democracy as a mature form of bourgeois power. With this we can have no argument but when he claims that "the bourgeois-democratic state as such was never the object of any major work either by Marx, who never lived to see its realisation, or by Lenin, whose enemy was an altogether distinct type of State in Tsarist Russia".¹⁴ We must understand him to be contesting the fact that the "bourgeois-democratic state as such" lies within the scope of the Marxist theory of state in general and Lenin's systematized formulations of *State and Revolution* in particular.

Marxism-Leninism identifies the state as a special apparatus for the systematic use of force by one class against another in order to extend the relations of domination and subordination existing at the level of relations of production to all spheres of social life. "The State is a product and manifestation of the irreconcilability of class antagonisms"¹⁵ In what sense then does Andersen claim that the bourgeois-democratic state, "as such" or otherwise, exceeds the scope of the definition? Lenin had identified the tendency to prettify bourgeois democracy as a "failure to understand the socialist criticism of the state in general...(for) we have no right to forget that wage slavery is the lot of the people even in the most democratic bourgeois republic".¹⁶ It would appear that Andersen has lost the distinction between the nature and the character of the state, on the one hand,

and the varying forms of government and of political mechanism which may alter within the scope of the same class state, on the other.

Furthermore, Andersen appears to have totally misread the process by which democratic-representative mechanisms have come to characterize political procedures and forms of government under capitalism. Engels, referring specifically to universal suffrage under bourgeois rule, states that it can be no more and no less than "the gauge of the maturity of the working class". Lenin, grasping the possibilities of this political form in extending the scope of the struggle in the context of a proletarian revolution on the verge of an epoch-making success, declares that "we are in favour of the democratic republic as the best form of state for the proletariat under capitalism". History shows that universal suffrage and the expansion of political rights under capitalism are the product of the sustained opposition of the oppressed classes to the unchallenged, direct rule of capital. Nor is the success of one-third of the world's population in overthrowing capitalist exploitation an uninfluential or insignificant factor in the advance made by this struggle. Yet, Andersen suggests that "stable" parliamentary democracies with no reversion to military or police dictatorships symbolize the "historical ascendancy", "the objectively superior strength" of capital and thereby the *defeat* of the working class.

Andersen's favourable portrayal of a "universal suffrage" in societies dominated by advanced monopoly capital acquires reprehensible and strongly ideological overtones when it is seen to be inevitably coupled with and given precedence over what are termed the "repressive bureaucratic regimes exercising tutelage over the proletariat" in societies where class exploitation has been abolished. It is evident that the bourgeois-democratic state "as such" is being portrayed not just as a "mature form of bourgeois power" but quite simply as a mature form of state "as such", that is, totally disregarding its class character. It now becomes clear in what sense Andersen felt it went "beyond" the bounds of the Marxist-Leninist theory of state, in what sense the moribund capitalism of Lenin's analysis could be seen to be capable of consolidating a position of "superior strength", in what sense the presence of this state form symbolized the "defeat" of the working class.

An ideal state form which transcends the constraints of the contemporary class struggle is the "bourgeois state—based on fully universal suffrage"—a veritable magic wand which imperialism has perfected not merely to hold back but, if we are to believe Andersen,

even reverse the direction of the historic struggle between socialism and imperialism... Lenin had placed this struggle in the forefront as one heralding the era of proletarian revolutions. But Andersen is so diverted by the charms of bourgeois democracy from the class perspective, central to any Marxist analysis, that he reduces the entire content of this struggle to an absurd opposition between "bureaucratic regimes" and "democracy based on fully universal suffrage". In the "altered universe" that Andersen concocts, the capacity of the proletariat, extinguished under socialism, is slowly being groomed in the advanced centres of imperialism "as they steadily gain in cultural skills and self-confidence!"¹⁷

Is this the "superstructural" element that Andersen wishes to impose on further investigations into the nature and mechanisms of the bourgeois state? Is this the direction which he is attempting to advocate for "up-dating" historical materialism? It must be clearly stated that Andersen and those who think like him can have no part in the advance of Marxist theory, and calling themselves "Western Marxists" makes not an iota of difference.

Rigorous and continuing criticism of the political forms evolved by proletarian dictatorships certainly forms a major part of the advance of Marxist-Leninist theory in the contemporary period, but it cannot be made by losing sight of the class character of the state form in question, still less does it require this window-dressing of bourgeois democracy. In fact, following Lenin in his critique of Kautsky, one grasps the inherent duplicity of the so-called Marxists who subscribe to this position.

Andersen, while claiming to identify a distinct tendency within Marxism, has in fact attempted to re-interpret the working class movement in Europe (for him, by definition, it can exist nowhere else as a mature movement) which would eliminate the world context provided by the successful socialist revolutions in a number of countries and the collapse of the vast colonial empires. For both these "oversights" it is not his intellectual negligence but his Trotskyite understanding which must be held responsible. If the former are the target of vitriolic attacks it is because they are the "official" communists, the political off-spring of a "stratum" (party) which would not wait for imperialism and bourgeois democracy to educate the oppressed masses but took on that task themselves. The latter are condemned to silence. So low is the spontaneous democratic training of the peoples of the erstwhile colonial countries that they do not even merit a mention by Andersen, who has no place in his account for the massive upsurge of national liberation struggles, for the great

Chinese revolution, for the universally condemned interference in and violations of the right of nations to self-determination by the imperialist powers of which the Vietnam war is the most glaring example.

The theoretical "purism" which explicitly claims to motivate this view must, however, be itself subject to evaluation in the light of real material conditions. Since the historical processes and events in question cannot be wished away, our "purist" must take the responsibility for reducing them to irrelevance because his categories are unable to account for them. In the present case, this means responsibility for a glowing account of contemporary imperialism at each stage, the increasing recourse to the most anti-democratic methods and open acts of subversion against other nations, defeats and postures which the class-based Leninist analysis makes theoretically comprehensible, have been glossed over, while our attention is sought to be diverted to the "defeats" of the proletarian masses in the socialist countries.

- 1 Andersen, *Considerations on Western Marxism*, London, Verso Edition, 1979, p 1.
- 2 J V Stalin, "The Foundations of Leninism", in *Works*. Moscow, Foreign Languages Publishing House, 1953, Vol 6, p 73.
- 3 Andersen, *op cit*, p 12.
- 4 *Ibid*, p 13.
- 5 *Ibid*, pp 19-20.
- 6 *Ibid*, p 12.
- 7 Lenin, "Imperialism, the Highest Stage of Capitalism", in *Collected Works*, Moscow, Progress Publishers, 1964, Vol 22, p 9.
- 8 Andersen, *op cit*, p 18.
- 9 Lenin, *op cit*, pp 23-24.
- 10 *Ibid*, p 117.
- 11 *Ibid*, p 55.
- 12 Andersen, *op cit*, p 25.
- 13 *Ibid*, p 46.
- 14 *Ibid*, p 48.
- 15 Lenin, "State and Revolution", in *Selected Works*, Vol II, p 241.
- 16 *Ibid*, p 251.
- 17 Andersen, *op cit*, p 105.

NAGESH KUMAR*
KAMAL MITRA CHENYOY*

*Multinationals and Self-Reliance : A Case Study of
the Drugs and Pharmaceutical Industry*

SELF-RELIANCE has been a declared goal of planning in India, explicitly at least since the Third Plan. Therein it is stated that "...special emphasis has to be placed on industries such as steel, coal, oil, electric power, machine building and chemicals...(as) the development of these industries is an essential condition of self-reliant and self-sustained growth".¹ Attempts made to create conditions to reduce the dependence on foreign aid and imports included a liberal policy towards foreign private investment. The April 1949 Statement on Foreign Investments stipulated parity between foreign and Indian capital, permitted the repatriation of profits and provided assurances against nationalization, with "fair and equitable" compensation in the exceptional case of acquisition.² This liberal attitude, which included concessions not envisaged in the Industrial Policy Statement made exactly a year earlier,³ was intended to obtain private foreign assistance for the development of the Indian economy. It was believed that foreign capital would: (a) supplement domestic savings; (b) provide the requisite sophisticated technology and (c) the foreign exchange component of the capital outlay of the projects.

The government's liberal policy towards foreign private capital was strongly criticized by sections of Indian big business till about 1955. Ironically, in 1953, FICCI (Federation of Indian Chambers of Commerce and Industry) passed its now famous "Swadeshi Resolution" urging the Congress government to respect the principles of Swadeshi by regulating more strictly the inflow of foreign capital.⁴ On its part, the government believed that indigenous political power was sufficient to ensure that the inflow of

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foreign capital and technology did not lead to a dependent economy. This explicit belief governed official policy towards foreign equity participation, where the clause permitting majority foreign holding *as an exception* virtually became the rule in a number of industries, including the drugs and pharmaceutical industry.⁶ Moreover, as H K Paranjape has pointed out, "the need to keep aid-giving Governments and the World Bank happy was an important reason for the soft approach adopted by the Government towards foreign collaborations and foreign investment".⁷

The liberal policies towards foreign capital facilitated the dominance of MNCs in the Indian drug industry among others.⁸ The drug industry is a vitally important one because of its "role... in maintaining the health of the nation". Yet, even in this industry, the government made virtually no attempt to regulate the multinationals in national interest. After independence most multinational drug companies established themselves as trading concerns with insignificant initial investment.⁹ Initially they imported finished drug formulations from the parent company and marketed them. Subsequently, formulations were imported in bulk, and repacked locally. Later, because of belated government pressure, the ingredients of the formulations were imported as bulk drugs, which were processed into formulations on a "job-work" basis by Indian concerns. The Hathi Committee noted that "all these activities were carried on *without investing in factories or employing technical personnel*".¹⁰

Between 1952 and 1965, multinationals in the drug industry received "a big impetus to boost their turnover" as "permission letters" to produce 364 items were granted to 15 leading foreign units.¹¹ Only four of these items were bulk drugs, the rest being formulations "many of which could have been easily manufactured by the Indian sector". These formulations included what the Hathi Committee termed "house-hold remedies" which did not require a doctor's prescription, for example, "cough mixture, ring worm ointments, 'health salts', gripe mixtures, laxative tablets, eye drops, malted tonics, digestive tablets" and so on. In a significant number of these cases *no capacity* was specified.¹²

In the 1965 - 1967 period, in the background of developing shortages in the drugs industry, the devaluation of the rupee and the liberalization of import policy, licensing policies were further liberalized. In 1966-67, existing manufacturers were allowed to diversify production into the manufacture of "new articles" and to expand licensed or registered production capacities up to 25 per cent, subject to the condition that no additional plant and machinery

other than indigenously procured balancing equipment, was installed.¹³ Later, in 1970, this concession was withdrawn, and the diversification which had taken place earlier had to be regularized through "carrying-on-business" (COB) licence. Under this new procedure, 12 foreign and five Indian companies obtained COB licences covering 215 formulations and 20 bulk drugs.

The above liberal policies, the Hathi Committee noted, were mainly responsible for the foreign hold over the drug and pharmaceutical industry. This resulted in an outflow of foreign exchange amounting to about Rs 26 crores towards the payment of royalty, technical fees and dividends during the period 1969 to 1973 alone. Further, this figure did not include the additional foreign exchange remittances in the form of purchases of bulk drugs, intermediates and so on by the foreign companies at prices dictated by their foreign principals. "These prices", the Hathi Committee averred, "bear no relation to either the cost of manufacture of the final products or international prices."¹⁵

The Hathi Committee also highlighted the fact that the MNCs in the drugs industry "usually discourage" their R&D staff from developing "technology on their own". These practices made "our industry permanently dependent on overseas expertise and technology".¹⁶

Taking into account the above facts, the Hathi Committee pointed out that the "continued presence...of the highly profit motivated multinational sector can but promote only the business interests of this sector. Their presence in India, as a part of their global effort to capitalize on human suffering in an organised manner, must therefore cease as early as possible". The majority in the Committee therefore "strongly recommend(ed) that the multinational units in...drugs and pharmaceuticals should be taken over by Government, and managed by the proposed National Drug Authority".¹⁷ All members however agreed that the drug industry should not be eligible to preferential treatment as specified in the guidelines of FERA (Foreign Exchange Regulation Act) of 1973 and Appendix I of the Industrial Licensing Policy of February 1973. The Committee recommended that foreign drug units should not only "be directed to bring down their equity to 40% forthwith...(but should) further reduce it progressively to 26%". Moreover, it was recommended that the dilution of foreign equity "should not take the form of dispersed holding(s)...by a large number of Indian nationals...because such widely dispersed holding will not, in any way, reduce the effective control of the foreign equity shareholders. In order to serve national

objectives, it would be desirable for Government to purchase these shares either by public sector undertakings which are directly or indirectly connected with the manufacture of drugs/chemicals or by public financial institutions or by Government itself."¹⁸

The Hathi Committee consisted of 15 members and included, apart from its chairman Jaisukhlal Hathi, three other influential Congress MPs, Yashpal Kapur, Vasant Sathe and C M Stephen (the last two are now Cabinet Ministers). Nonetheless its major recommendations, as enunciated above, were not accepted by either the Congress government or its Janata successor. Jaisukhlal Hathi himself revealed in an interview that most of the civil servants who deposed before the Committee were sympathetic towards MNCs.¹⁹ Apart from the bureaucracy, decisive sections of the political leadership were evidently influenced by the foreign drug lobbies (prominent among which is the Organisation of Pharmaceutical Producers of India—OPPI) to reject these recommendations.²⁰ Moreover, as indicated earlier, the government had, more or less, consistently followed a liberal policy towards foreign private capital. In such an environment, to expect that the same government would nationalize well-entrenched foreign companies would appear naive.

MNCs and FERA

The pervasive influence of the pro-MNC lobbies in top government circles has undoubtedly influenced the formulation of FERA. Under FERA, all corporate bodies with 40 per cent or less of foreign equity holding are considered indigenous concerns. But, according to the Industrial Licensing Policy Committee (ILPIC) report of 1969, control of only one-third of "effective equity" (that is, the shareholding not controlled by state-sponsored financial institutions, or state and Central Governments which do not generally interfere in the management of the company) is adequate to "provide a reasonable index of 'controlling interest' ". This, in terms of the ILPIC's own findings, is a conservative index.²¹ The Reserve Bank of India has defined a company as foreign controlled if 25 per cent or more of the shareholding is held by a *single* foreign company. Even in the United States of America, the leading protagonist of the "rights" of foreign capital, all companies with 10 per cent or more of foreign equity are considered "foreign". In Canada, the criterion is as low as 5 per cent.²² In the West, definitions of foreign control are based on the fact that a block control of 10 per cent of equity, where shareholdings are dispersed, and when financial participation is accompanied by restrictive collaboration agreements, is sufficient to ensure control of an

undertaking. Thus the FERA definition is an extremely liberal definition of foreign control. It has indeed facilitated the expansion of foreign companies by recognizing them as Indian after a relatively insignificant reduction in foreign equity. A company with 51 per cent foreign equity is categorized as a foreign subsidiary under the Companies Act; it, however, becomes an Indian company if the foreign shareholding is reduced to 40 per cent.

The preamble to FERA does not even explicitly specify that the intension under the Act is to regulate foreign capital. It is in fact described as "an Act to consolidate and amend the law regulating certain payments, dealings in foreign exchange and the import and export of currency and bullion, for the conservation of the foreign exchange resources of the country and the proper utilization thereof in the interests of the economic development of the country". Thus, on a number of occasions, foreign companies have been permitted to retain a higher proportion of foreign equity provided they used their earnings for investment in India, rather than remitting them abroad.²³

Moreover, with the dilution proposals, foreign companies are being given liberal expansion licences even in low technology areas.²⁴ For instance, Colgate Palmolive which is engaged in the production of the "lowest of low priority and low technology activities has been granted a licence to manufacture a sweetening agent used by the pharmaceutical industry for the manufacture of tonics".²⁵

Foreign concerns that have complied with FERA have generally stipulated in their Articles of Association the right of the parent company to appoint or to remove the top management. For instance, as long as the equity shareholding by Unilever, UK, in Lipton Tea (India) is at least 25 per cent, and of Warren Plantations Holdings, UK, in Warren Tea is at least 40 per cent, the parent companies shall have the right to appoint or remove the managing directors in the "Indian" companies. Similarly, as long as Chesebrough-Ponds, USA, is a member of Ponds (India), it can appoint or remove one-third of the total number of directors, including the managing director(s). In the drug industry, May and Baker, UK, retains the right to appoint or remove one-third of the directors, including the managing director, in May and Baker (India) as long as it holds at least 56 per cent of equity; whereas Schering, USA, will appoint or remove one-third of the directors, as well as the chairman and managing director(s), in Fulford (India), even while retaining a mere 10 per cent of equity share.²⁶

To sum up therefore, the cumulative effect of FERA has been

to disguise continuing foreign control, thereby allowing the expansion of foreign capital in India. In this paper therefore we shall treat all drug companies with a foreign equity participation of at least 10 per cent as foreign companies.

Even the implementation of FERA has been affected by the influence of pro-MNC lobbies, inside and outside the government. Despite the unanimous recommendation of the Hathi Committee, the new drugs policy provides that groups of companies producing drug intermediates for the production of high technology bulk drugs as well as high technology bulk drugs from the basic stage and formulations based thereon with an overall ratio of 1:5 of bulk drug consumption (from own manufacture) to formulations from all sources, could retain upto 74 per cent of foreign equity. This policy, which constituted the government's response to the Hathi Committee recommendations is obviously a capitulation "to the pressures of multinationals".²⁷

The claim incorporated in the new drugs policy that foreign companies employed advance technology and hence could be premitted to retain a high proportion of foreign equity has not been substantiated. The Hathi Committee's findings in this regard were that foreign drug companies invested only 1.1 per cent of their turnover in R & D in India during 1973, in contrast with 12 to 15 per cent in the advanced capitalist countries.²⁸ To identify the companies producing high technology bulk drugs and hence eligible for concession of retaining more than 40 per cent of foreign equity, the government appointed a committee on high technology which submitted its report in October 1979. The main criteria adopted by the committee in the definition of "high technology" were the following:

- (1) Isolation and extraction involving sophisticated processes such as counter current liquid extraction, repeated chromatography or narrow cut fractionation;
- (2) Fermentation processes; use of enzymes for chemical transformation;
- (3) The steps of operations involved in a chemical synthesis;
- (4) Reaction temperatures above 250°C or below (-) 30°C;
- (5) Reaction pressures of 10 atmospheres and above;
- (6) Use of potentially explosive materials;
- (7) High temperature vapour phase catalytic processes;
- (8) Use of toxic materials;
- (9) Purification and separation by different types of sophisticated techniques;

- (10) Careful on-line process controls;
- (11) Degree of sophistication employed to ensure health safety and quality;
- (12) New drugs discovered in India involving detailed pre-clinical laboratory and clinical trials.²⁹

It will be evident from points number (8), (9), (10) and (11) that any drug producing company can be considered to be a "high technology" company. Further, after the committee submitted its report in October 1979, no review has been carried out. Moreover, the government has declared that "the need and scope for review of the findings of the Committee...will be considered in the light of representations received from the individual companies concerned".³⁰ In other words, only representations from the concerned drug manufacturers can initiate, and determine the scope of, the review. Views of scientists, doctors and consumers are apparently considered irrelevant.

The *carte blanche* given to drug companies by the committee on high technology has led to some piquant situations. For instance, while the Deputy Director, National Chemical Laboratory, Pune, has stated that in the production of salbutamol, the process involved low technology, the committee has concluded, on the basis of the extremely generous definition given above, that the process involved high technology. The government consequently wrote to the Director, National Chemical Laboratory, and the latter clarified that his subordinate was not aware of the criteria employed by the committee.³¹ On the basis of the committee's obviously unscientific classification, the government has permitted Hoechst, leading foreign concern, to manufacture drugs already being produced in the small-scale sector. Moreover, the grant of an industrial licence to Glaxo Laboratories to manufacture salbutamol for which technology is indigenously available, is under active consideration.³²

Sustained lobbying by pro-MNC groups has led to substantial modifications in the already liberal new drugs policy, with further concessions to the drug MNCs. For instance, in the sphere of industrial licensing the new drugs policy had stipulated that the criterion for the regularization of capacities would be the highest production actually achieved in any year during the three-year period ending 31 March 1977.³³ The foreign drug lobby represented by OPPI, however, wanted regularization on the basis of actual production in 1980,³⁴ and the government has recently decided to regularize liberally all existing installed capacities as of 4 September 1980, in disregard of the earlier stated policy.³⁵

The drugs and pharmaceutical industry is considered to be one of the, if not the, most multinational of modern manufacturing industries with the leading firms exercising "great oligopolistic power".³⁶ In 1974, the top 30 multinational companies accounted for 52 per cent of the total world market economy in pharmaceutical sales.³⁷ The degree of dominance by individual giants is not so apparent over the drug market as a whole because of the extremely heterogeneous nature of the pharmaceutical market. Individual enterprises tend to specialize in sub-markets leading to a concentration within product classes.³⁸ For example, in 1973, according to Roche's own estimates, their two main tranquillizer formulations, Librium and Valium, held more than a third of the entire world tranquillizer market,³⁹ while G D Searle's two formulations, Aldactone and Aldactazide, accounted for 20.3 per cent of the world diuretics market.⁴⁰

This oligopolistic position obtains despite the fact that the drugs industry "*enjoys practically no economies of scale in production... (as) the active ingredients are normally manufactured in relatively small volumes*". Therefore, in production, the large MNCs have no particular superiority over smaller companies, and the "economies of scale" argument cannot be used to justify the operations of the large foreign drug companies.⁴¹ The "superior" market performance of the drug MNCs is due, as the Hathi Committee noted, to "high pressure sales techniques coupled with distribution of medical samples on a liberal scale to the medical profession.... (which together with) attractively got-up medical literature and international brand names of drugs appearing in advertisements in foreign medical journals with which top consultants in the medical profession were acquainted, played their part in popularising the drugs of foreign companies". The oft-repeated claim by foreign drug companies that their products contain "something plus" over the products of identical composition marketed by Indian units was found to be just so much salesmanship.⁴² In fact, as we shall see, their products are sometimes found to be of dubious therapeutic value, if not positively dangerous.

In the case of India, the oligopolistic nature of the operations of foreign concerns is disguised by the apparent competition between undertakings which are actually affiliates of the same MNC. For instance, both Warner Hindustan and Parke Davis are affiliates of Warner Lambert, U S A; Roussel Pharmaceuticals and Hoechst Pharmaceuticals are affiliates of Hoechst, F R G; Glaxo Laboratories and Biological Evans are affiliates of Glaxo Holdings, U K;⁴³ and Geoffrey Manners, Wyeth India (Pvt). Ltd, Wyeth Laboratories Ltd

and John Wyeth and Brothers, Ltd, are all affiliated to American Home Products Corporation, U.S.A.⁴⁴ However, the government seems to be blissfully ignorant of these facts, so far as the implementation of FERA and the drugs policy is concerned. The myth of the "competition" between foreign drug companies, often affiliated to the same MNC, is sedulously maintained and propagated, not only by OPPI but also by government spokesmen.

Foreign companies promote a product differentiation under which the same basic drug is marketed under different brand names. B V Ranga Rao found that as many as 406, 308, 155, 126 and 115 formulations (under different brand names) are marketed for Vitamin B complex, multivitamin tablets, Chloramphenicol, Vitamin B₁₂, and Tetracycline respectively.⁴⁵ Such instances can be multiplied. Product differentiation of this type is not only illusory, but, because of the marketing techniques employed by foreign concerns referred to earlier, strengthens market imperfections even in the presence of many companies formulating the same basic drug. Since, according to one estimate, drug companies in India spend as much as 18 per cent of the turnover on sales promotion, on an average, this product differentiation leads to socially wasteful expenditure, the costs of which are ultimately transferred to the consumer through high prices.⁴⁶ Some foreign companies spend even more; for example, Pfizer spent more than 20 per cent of the total net sales on sales promotion in 1975-76.⁴⁷

Moreover, a large bulk of these formulations is of little therapeutic value. The WHO expert committee on the selection of essential drugs estimated that out of the 30,000 formulations sold under various brand names, a range of just 200 active drugs could cover the health needs of a majority of developing nations.⁴⁸ The Hathi Committee recommended a list of just 116 essential pharmaceutical products, including bandages, plasters, phenyl and so on. The tremendous waste of national resources caused by these activities of pharmaceutical firms can be imagined. It is now well known that several formulations have been banned, severely restricted or discarded (as obsolescent) in the Western markets but are still being sold by MNCs in developing countries like India. For instance, most anti-spasmodic combinations sold in India contain amidopyrin.⁴⁹ Furthermore, people in the developing countries have been used as guinea pigs by the drug MNCs, whose influence is so pervasive that they have been able to utilize the services of the prestigious WHO for this purpose. In India, for example, the WHO and the Indian Council of Medical Research (ICMR) imported for trial a cholera vaccine which was not

included in any pharmacopoeia, without the permission of the Drugs Controller.⁵⁰ Recently, Hoechst Pharmaceuticals advertized through a two-page supplement in the daily press about the company's "25 years of service in India". Therein it was stated that the company had sought sanction from the Drugs Controller of India to conduct human trials of a new drug, HL 725, for hypertension. However, this drug, according to Hoechst itself, is only "in clinical phase 1 trials in West Germany".⁵¹ Though hypertension is the "number one killer" in the West, human trials are to be carried out first in India, even before clinical trials are completed in the West. The popular anti-diarrhoeal formulation, Lomotil, manufactured by Searle, is still widely sold in India, although the *British Medical Journal* has published articles since 1976 warning that the drug is highly dangerous for young children.⁵² There are also the infamous cases of the Genetic Control of Mosquitoes Unit (GCMU) project, the bird migration and arbovirus studies at the Bombay Natural History Society, the Ultra Low Volume Spray experiments for urban malaria control at Jodhpur, the Pantnagar Microbial Pesticides project, as well as some other research projects undertaken in West Bengal in collaboration with the Johns Hopkins University, U S A, in the early 1970s which the Public Accounts Committee of the Fifth Lok Sabha exposed in its April 1975 report as "projects...closely concerned with the collection of vital virological, epidemiological or ecological data, which are well capable of being used against the security of the country and that of our neighbouring countries".⁵³ In the case of the GCMU project it was brought out that the U S Armed Forces, the WHO and the ICMR had all collaborated.⁵⁴ This is further evidence of the dubious role on occasions played even by the WHO, and the gullibility of the ICMR, though these organizations are the very ones entrusted with the task of protecting the Indian people from the depredations of the drug MNCs.

Apart from the above cases of the use of dangerous drugs, medical experts have found a large number of popular formulations to be of dubious medicinal value. A R Phadke has shown in a recent paper that some of the most popular analgesic-antipyretic (pain killing and fever reducing) formulations sold in the country, all contain aspirin in combination with other analgesics. Yet standard text-books on pharmacology, for example by Goodman and Gilman, categorically state that "the many mixtures of Aspirin with acetaminophen, or phenacetin and often with caffeine and other drugs are promoted with claims that they provide more analgesia. None of these claims withstand critical scrutiny. In most clinical trials, relief of pain by

an analgesic mixture has not been superior to that of Aspirin alone."⁵⁵ However, whereas Aspirin costs only two paise per tablet, Anacin, Avedan plus, Aspro and Powerin, retail at 8, 8, 10 and 20 paise per tablet respectively. Thus the consumer pays more, the drug companies earn more, for products involving "pure waste" of these ingredients. Such examples can be multiplied⁵⁶.

The Hathi Committee, in an effort to curb the social waste incurred in the sale of such irrational and spurious formulations, recommended a phased abolition of brand names. Predictably the OPPI and other drug lobbies lobbied against the acceptance of this recommendation, and successfully. In the new drugs policy statements *only five drugs* were notified whose single ingredient formulation could no longer be sold under brand names: (i) Analgin, (ii) Aspirin, (iii) Chlorpromazine, (iv) Ferrous Sulphate and (v) Piperazine and its salts. The notification for the same was issued only on 17 January 1981, *almost three years* after the policy decision. Hoechst, the manufacturer of Novalgin went to court, and got a stay order from the Delhi High Court. Later, Pfizer, a manufacturer of Piperazine, also obtained a stay order from the Delhi High Court.⁵⁷ Thus a policy enforcing the use of generic names that would render standardization and quality control of pharmaceutical products easier, has not only been implemented haltingly and in a half-hearted manner but "stayed" by the judiciary.

The supposed transfer of advanced technology by the drug MNCs has been another myth commonly used to advocate the expansion of their operations in India. In the first place, foreign companies are primarily interested in marketing formulations under brand names, in order to maximize profits, rather than in the production of the less profitable bulk drugs. For example, the share of the MNCs in the manufacture of many vital drugs in bulk form (before the announcement of the new drugs policy), like Tetracycline HCl, Analgin, Thiocatezone, Aspirin, Diphtheria Toxoid and Tetanus Toxoid, was insignificant. But, at the same time, they marketed about 80 per cent of the total formulations of antibiotics, vitamins, cough syrups, analgesics and antirheumatics, and over half the tonics sold.⁵⁸ The situation has not changed with the new drugs policy. In 1978-79, FERA drug companies produced only 16.7 per cent of the total bulk drugs consumption, whereas the public sector, the Indian private sector and the small-scale sector produced 14.6, 22.3 and 5.9 per cent respectively. Import of bulk drugs amounted to 40.5 per cent of requirements costing Rs150 crores. But the FERA companies accounted for the production of 43.8 per cent of formulations, while

the corresponding figures for the public, Indian private and small-scale sectors were 5.7, 32.5 and 18.1 per cent respectively.⁵⁹

Furthermore, the foreign drug companies have curtailed the production of vital formulations whose prices have been fixed by the Drug Price Control Order of 1979. Currently a number of formulations used in the treatment of major diseases like tuberculosis, asthma, epilepsy, and so on, are not easily available in the market. One foreign drug company has closed down its entire department making a group of six formulations used in the treatment of tuberculosis, on the ground of "continued losses". At the same time, the production and prices of drugs not covered by the Drug Price Control Order have increased constantly.⁶⁰ This, of course, is inevitable in view of the MNC affiliates' single-minded interest in profitability, rather than in the provision of cheaper essential medicines for the Indian people. The case of Pfizer also reveals the same tendencies.

TABLE I
CAPACITIES AND PRODUCTION OF PFIZER INDIA LTD.

<i>Products</i>	<i>Licensed capacity (tonnes)</i>	<i>Production(tonnes)</i>	
		1978	1979
INH	80	45	52
PAS & its salts	110	90	94
Terramycin	14	53	54
Protinex	100	269	290

SOURCE: J S Majumdar, "Instruments of Policy", paper read at Drugs Seminar, 1981.

From Table 1 it is evident that while Pfizer manufactured considerably less than its licensed capacity two vital basic drugs, INH and PAS and its salts, its production far exceeded the licensed capacity for its branded formulations, Terramycin and Protinex. Instead of producing vital bulk drugs, the drug MNCs are increasingly entering into the production of low technology and low priority consumer goods. For example, Warner Hindustan produces Chicklet chewing gum, Halls vapour action lozenges; Rackitt and Colman produces Robin Ultramarine dyes and Cherry Blossom shoe polish; Johnson and Johnson produces Carefree sanitary napkins, baby powder, baby shampoo and so on. It seems that the thrust of these companies' production efforts is not towards the manufacture of technology-intensive vital drugs, but towards maximizing sales of low-technology-based and often superfluous formulations and consumer goods for the elite

market.

Secondly, R&D undertaken by MNCs is generally confined to, and relevant for, parent countries. The Conference Board survey noted that "only a negligible share of U.S. overseas R & D found its way to the Developing Countries of the world."⁶¹ This is only to be expected since, for obvious reasons, MNCs seek to perpetuate the technological dependence of the developing countries. In the case of the drug industry, the Hathi Committee found that the MNCs actually discouraged independent R & D by the Indian staff. The Sandoz group, for example, spends nearly 9 per cent of its world-wide turnover on R & D, whereas its Indian subsidiary spent only 1.4 per cent of its turnover on R & D in 1965.⁶² Table II provides detailed data on the R & D expenditure by 43 FERA drug companies. These figures, however, are inflated as they include expenditures on marketing research, and even in some cases on quality control in order to enable the drug MNCs to benefit from the tax concessions for R & D expenditure. Despite various tax incentives offered by the government and high profitability, the R & D outlays are dismally low. Twenty-seven out of the 43 companies spend 1 per cent or less of their turnover, with only four companies spending more than 3 per cent. Furthermore, there is little evidence to show that even this R & D activity is relevant to India's needs.⁶³ Moreover, whatever technology is actually transferred by the drugs MNC to its affiliate remains a closely guarded secret and hence it can best be termed a "private" transfer. Through restrictive clauses in foreign collaboration agreements, sub-licensing by the affiliates is barred, which often results in multiple imports of technology.

Thirdly, the entry of foreign companies has actually hampered the indigenous development of technology by Indian drug companies. The case of the Bengal Chemical and Pharmaceutical Works Ltd (BCPW) is illustrative. The BCPW is a pioneering Indian firm (recently taken over by the government) which, by the 1950s, had succeeded in developing processes for the production of some vital drugs without any foreign collaboration, for example, Thiacetazone (started in 1952), Nikethamide (1950s); Nicotinamide (1952), Nicotinic acid (1946), Dapsone (1950), Chlorpropamide (1959) and so on.⁶⁴ We shall relate below one instance of how foreign drug companies sought to affect negatively the BCPW's operations.

The BCPW patented its own process of manufacturing Chlorpropamide, an anti-diabetic drug. It applied for a licence in 1959 which the government granted only in December 1961. This delay enabled Pfizer to get more time to popularize its product, brand-

TABLE II
FOREIGN DRUG COMPANIES' OUTLAYS ON R&D IN 1975
(percentage of turnover)

<i>Range</i>	<i>No of companies</i>
(1) Negligible expenditure (less than 0.33 per cent)	9
(2) Upto 1 per cent	18
(3) Between 1 and 2 per cent	7
(4) Between 2 and 3 per cent	5
(5) More than 3 per cent	4
Total No of companies	43

SOURCE: Based on Statement No LT-1196/77 placed before the Lok Sabha in 1977.

named Diabenese, which it had been marketing since 1957 using imported Chlorpropamide. A subsidiary of Pfizer, Dumex Pvt Ltd, was also given a licence to produce Chlorpropamide in January 1961 ahead of BCPW. Pfizer kept the licence unutilized and continued to import the drug. In 1964-65 alone, Pfizer imported Rs 1.2 lakhs worth of Chlorpropamide from the USA.⁶⁵ Furthermore, attempts were made to stop the BCPW from producing the drug. In 1962 Hoechst and Pfizer filed a suit in the Calcutta High Court claiming that the BCPW's process constituted an infringement of a patent held by Hoechst, FRG, under which Pfizer had been given a licence to manufacture Chlorpropamide. The case dragged on for eight years, and in 1970 the court found that Hoechst's patent did not relate to the manufacture of Chlorpropamide at all! However, because of the legal complications, BCPW produced much less of the drug and was unable to fulfil bulk orders.⁶⁶ There are several other cases of attempts by foreign drug companies to curb legitimate activities of Indian concerns.⁶⁷

Apart from the instance of BCPW, the experience of wholly Indian owned drug companies like Alembic and Ranbaxy demonstrates that Indian concerns are capable of producing sophisticated synthetic drugs. According to the Ranbaxy Laboratories' 1979 annual report, Doxycycline, an important new antibiotic, was successfully manufactured on a pilot plant scale. Research to develop indigenous technology for the manufacture of 6-Amino-Penicillanic Acid, the starting drug intermediate for bulk Ampicillin Trihydrate, was also undertaken. Hence the argument that MNCs in the drug industry are indispensable because only they can provide sophisticated technology cannot be sustained.

Another indication of the actual quality of production technology employed and the R&D undertaken is provided by an analysis of the qualification and training of the high income employees (earning Rs 36,000 and above per annum) in these companies. Such an analysis of seven leading foreign pharmaceutical concerns (Reckitt and Colman, Boots, Glaxo, Pfizer, Richardson Hindustan, Sandoz and Bayer) reveals that out of a total of 1695 high income employees in 1978-79, 435 (25.7 per cent) were not even graduates. As many as 1300 (76.7 per cent) have graduate qualifications or less. In Pfizer, in 1979-80, as many as 12 of their senior chemists and research officers were only graduates in science.⁶⁸ This then is the real picture of the supposedly highly qualified personnel in foreign drug concerns. No wonder so little relevant R&D work is done!

The real nature of production in the pharmaceutical industry is extremely unclear. The majority of pharmaceutical concerns do not provide any information about product-wise production and capacities in their annual reports, though they are obliged to do so under the Companies Act. Information provided is under the vague general categories of "injectables", "liquids", "tablets", "capsules", "granules", "powders", "cream and ointments" and so on. Thus the government and its monitoring agencies have apparently no way of finding out the precise figures of specific drug produced and sold. In the absence of reliable specific data, all sorts of claims relating to the high technology nature of production, the amounts of vital drugs produced and so on, can be made and entertained. In effect, the government's ignorance is the drug MNCs' bliss.

Despite the obvious limitations of such data, there is substantial evidence of production in excess of licensed capacity. The Minister of State for Petroleum, Chemicals and Fertilizers has himself presented data before the Rajya Sabha which clearly show large-scale unauthorized production.⁶⁹ The information cited by him moreover was provided by the foreign companies themselves. In view of the more or less consistent policy of the government in regularizing excess capacity, they believe they can afford to reveal these facts. Significantly, at least four foreign companies—Cynamid, Sandoz, Ciba-Geigy and May and Baker—have stated that the various registration certificates, approvals and permission letters issued by the government did not specify the authorized capacities for various products. Further, the government admitted in Parliament recently that Glaxo, Pfizer and Smith, Kline and French were manufacturing about 30, 40 and four formulations respectively, under doubtful authorization.⁷⁰ This then is how the regulation of a vital "care" industry is distorted,

because of the influence of MNCs on the government machinery and policy.

Effect on Balance of Payments

Apart from the distortions mentioned above, the operations of MNCs in the drug industry also have a deleterious effect on India's balance of payments (BOP).⁷¹ Substantial royalty payments are made and various collaboration fees charged for the use of brand names and for every bit of technology transferred. As the profitability of foreign companies in this industry is high, the remittance on account of profits and dividends are correspondingly high and become a significant burden on BOP. These firms also tend to import their raw materials and even packing material from the parent company. Table III provides an illustrative account of the direct effect of the operations of four leading foreign companies on BOP, based on their own 1980 annual reports. All the four concerns—Glaxo, Pfizer, Warner Hindustan and Sandoz—expended more foreign exchange than they earned,

TABLE III
ILLUSTRATIVE ACCOUNT OF DIRECT BALANCE OF PAYMENT EFFECT OF OPERATION
OF FOREIGN COMPANIES, 1979-80

Company	Total foreign exchange earned: exports (f o b) & others	Total foreign exchange spent			Net foreign exchange earned
		Import of raw material ((c i f)	Dividend remittan- ces (net)	Others	
Glaxo	270.4	268.8	126.9	4.9	-130.2
Pfizer	41.1*	69.4	124.7		-153.0
Warner Hindustan	15.0	53.2	18.5	8.5	- 65.2
Sandoz	186.0	504.0	18.0	28.5	-364.5
Total	512.5	895.4	288.1	41.9	-712.9

SOURCE: Data provided in the companies' annual reports.

*Break-up of export figures shows that Pfizer's actual earning of foreign exchange is only Rs 2.14 lakhs out of Rs 41.1 lakhs, the rest comprising rupee earnings.

resulting in a total outflow of Rs 712.9 lakhs in 1979-80 alone. Subrahmaniam and Pillai have demonstrated that operations of foreign companies are more import intensive than those of their Indian owned counterparts.⁷² Therefore the operations of these firms, instead of promoting self-reliance, actually serve to increase India's dependence.

The claim that foreign capital supplements domestic savings through capital inflows is another myth perpetuated in official circles. An analysis of the capital structure of eight leading foreign drug concerns shows that the total actual inflow on account of equity was merely 13.51 per cent of present equity capital in contrast to 64.38 per cent equity held abroad (Appendix I). The rest of the share capital was raised through bonus shares or was subscribed by the public sector financial institutions, or by the Indian public. Moreover, a large part of this capital inflow was, in fact, an inflow in kind, not in cash. And, as is well known, MNCs tend to export obsolescent machinery to their affiliates at inflated prices. In the case of one company, Cynamid, the actual inflow, after accounting for the sale of shares by the parent company at a premium of Rs 12 per Rs 10 share, was negative.

With the advent of sovereign governments in the ex-colonial countries, the MNCs have perfected new techniques for maximizing the profits of the parent group, by evading regulatory mechanisms. One major technique is transfer pricing. Since a large part of the imports and exports of the foreign drug companies is with their parent groups, there is every possibility of price manipulation through transfer pricing in these transactions. While the price of imports are inflated, those of exports are deflated. This is a common practice of the MNCs in the pharmaceutical industry, as Vaitos and Sanjaya Lal have shown in the case of Columbia and Sri Lanka respectively.⁷³ In India, little work has been done to analyse the incidence of transfer pricing, which, because of its obviously clandestine nature, is difficult to detect. Some instances, however, can be cited. Majumdar has cited the instance of Roche which introduced Librium in the Indian market at a price exceeding Rs 5455 per kg., while a Delhi firm imported it at Rs 312 per kg. Another foreign subsidiary charged Rs 60,000 per kg for Dexamethasone which was later reduced to Rs 15,000 at the intervention of the Controller of Imports.⁷⁴ On 15 April 1975 the government acknowledged in Parliament that Hoechst, and Merck, Sharp and Dohme were importing Indemethacin, Prenylamine Lactate, Furesemide and so on from their parent companies at prices higher than those in the world market. Moreover, Merck, Sharp and Dohme refused to utilize the stocks of these basic drugs imported by the CPC.⁷⁵ Later, on 21 November 1978, the Minister of Petroleum, Chemicals and Fertilizers informed Parliament that consequent to the canalization of Gentamycin imports, the price of this bulk drug was brought down from a peak Rs 45,000 per kg (cif) to approximately Rs 1,000 per kg (cif).

Similarly, the price of Doxycycline was brought down from about Rs 3,000 per kg (cif) to Rs 1500 per kg (cif).⁷⁶ The differences between the pre-canalization and post-canalization prices are obviously due to transfer price manipulations by foreign drug firms. Chandrasekhar and Purkayastha have attempted a highly tentative estimate of transfer pricing in the case of imports from their associates by 29 foreign companies in 1977. On the assumption that the minimum price at which any one commodity was imported was equivalent to the actual minimum price prevailing in the international market, the authors have calculated that the outflow due to the inflation of the imports by these companies amounted on a minimal estimate to Rs 456.06 lakhs out of their total import bill of Rs 1899.27 lakhs in 1977.⁷⁷ This however is a phenomenon which the authors themselves have admitted, needs to be examined further. Apart from imports, transfer pricing is resorted to in the case of exports. For instance, Nagesh Kumar has found that in an export oriented pharmaceutical concern with 49 per cent foreign equity, 70 to 80 per cent of the drugs produced was exported to the parent company at prices that were so low that the firm would have run into a loss but for the export subsidies provided by the government.⁷⁸ Sustained research would unearth many other cases of such manipulation by MNC affiliates.

As indicated earlier, the government has been slack in its regulation of foreign drug companies. Since it has not forced erring drug companies to provide detailed production data, its information on the drug industry, often provided tardily by foreign drug concerns, is incomplete and even misleading. On a number of occasions this has led the government to mislead Parliament. For example, in a reply to a question in the Lok Sabha on 18 August 1981, the Minister of State for Petroleum, Chemicals and Fertilizers had stated that the recent shortage in the Delhi market of PAS granules, manufactured by Pfizer, had been explained by the latter as being due to a closure and later a go-slow in their plant as a result of labour unrest, which had affected their production of the above formulation. But Majumdar has revealed that the factory manager of the PAS section of the Pfizer plant had, through a signed notification on 26 March 1981, closed down production in that section as "the sudden steep increase in the price of MAP without a corresponding increase in the price of the finished product, it has become uneconomical to produce PAS".⁷⁹ More recently, the Minister for Petroleum, Chemicals and Fertilizers made a statement in the Rajya Sabha, on 23 November 1981, correcting his earlier replies given to supplementaries during the debate of 14 September 1981 relating to Betamethasone and Vitamin A imported by

Glaxo. In his earlier reply he had stated that Glaxo had gone to court denying imports of Vitamin-A whereas the latter had actually challenged the price revision of Betamethasone and its derivatives.⁸⁰ Such examples can be multiplied. These should suffice to reveal the relative ignorance of the concerned ministry about the actual state of affairs in the drug industry.

Conclusions

We have highlighted only some of the inadequacies of the drug policy and the shortcomings of the regulatory system with regard to the drugs and pharmaceutical industry. In this sphere, as in others, operations of the MNCs have proved to be a bane and not a boon. Certainly, as we have shown above, they have not provided the foundation for the self-reliant development of the drug industry, and have, in fact, distorted production priorities. We have not dealt with the public sector, the Indian private sector, and the small-scale sector in this paper. These sectors, including the public sector itself, are, to some extent, also guilty of malpractices or distortions of production priorities.⁸¹ Nonetheless the MNCs, as the Hathi Committee noted, present a different order of problems. Their activities are geared towards at least continuing, if not increasing, technological dependence, as well as continued reliance on imports of bulk drugs, resulting in a continued drain of foreign exchange through permitted and illegal channels (transfer pricing), apart from creating grave distortions in the nature of drug production. Today, even more so than in 1975 when the Hathi Committee report was published, there is no alternative to the take-over of all the foreign drug companies (not just those identified as foreign under FERA), if the government is truly serious about the establishment of a self-reliant drug industry whose production conforms to the needs of the Indian people.

However, today such a commitment and policy are much more unlikely than in 1975. In particular, the conditions of the IMF loan, especially the government's commitment to import liberalization, further incentives to private foreign capital and further dilution of controls on the entire private sector, would rule out such a possibility.⁸² Whether these conditions were imposed by the IMF, or put forward by our "patriotic" government, purportedly in accordance with national policies and priorities, is immaterial. The fact of the matter remains that the earlier more or less liberal policies towards foreign capital have culminated in a virtual jettisoning of the policies of self-reliance.

APPENDIX 1

RELATIVE IMPORTANCE OF CAPITAL INFLOW IN TOTAL EQUITY
FOR LEADING FOREIGN COMPANIES
(Rupees thousand)

<i>Company</i>	<i>Total present equity capital</i>	<i>Equity held abroad</i>	<i>Total actual inflow of equity</i>	<i>Total outflow of equity (repa- triation)</i>	<i>Net inflow</i>	<i>Net inflow as % of total equity</i>	<i>Net inflow as % of equity held by parent</i>
Cynamid India (1979)	45,595	25,077 (55.0)	4,560	10,031	(-) 5,471	—	—
Bayer (I) (1978)	81,100	41,362 (51.0)	19,315	—	19,315	23.82	46.70
Boots (1979)	22,642	12,000 (53.0)	2,999	—	2,799	13.25	25.00
Pfizer (1977)	1,00,458	75,600 (75.3)	20,000	—	20,000	19.91	26.46
Warner Hindu- stan (1980)	29,812	14,906 (50.0)	3,500	—	3,500	11.74	23.48
Richardson Hindustan (1978)	15,000	8,250 (55.0)	2,750	—	2,750	18.33	33.30
Nicholas Labs (1980)	14,636	6,600 (40.9)	100	—	100	0.68	1.50
Glaxo Labs (1980)	1,44,000	1,08,000 (75.0)	18,000	—	18,000	12.50	16.67
	4,53,243	2,91,796 (64.38)	71,224	10,031	61,193	13.51	20.98

SOURCE: Based on Corporate Information System (IIPA) Data.

Note: Figures within brackets indicate percentage.

- 1 *Third Five Year Plan*, New Delhi, Planning Commission, Government of India, 1961, p 24.
- 2 *Constituent Assembly Debates*, 6 April 1949.
- 3 See Industrial Policy Resolution, 1948. This analysis is based on Kamal Mitra Chenoy, "Industrial Policy and Big Business in India, 1947-1966", unpublished manuscript. See also Kamal Nayan Kabra, "The Concept of Self-Reliance in India's Plans and Policies", IIPA working paper, December 1980.
- 4 Chenoy, *ibid*; Michael Kidron, *Foreign Investments in India*, London, 1965, pp 103-112.
- 5 Kabra, *op cit*.
- 6 See for empirical evidence K K Subrahmaniam, "Foreign Financial Collaborations in the Private Sector", in R K Hazari (ed), *Foreign Collaboration*, Bombay, University of Bombay, 1967.
- 7 H K Paranjape, "Industrial Growth with Justice—India's Strategy", in Charan D Wadhwa, *Some Problems of India's Economic Policy*, Bombay, Tata McGrawhill, 1977, p 338.
- 8 Ministry of Petroleum and Chemicals, *Report of the Committee on Drugs and Pharmaceutical Industry* (popularly termed the Hathi Committee Report), Delhi, 1975. p 87.

- 9 *Ibid*, p 86.
- 10 *Ibid*, Emphasis added.
- 11 *Ibid*, Chap 5, Annexure II, pp 110-120.
- 12 *Ibid*, p 86.
- 13 *Ibid*.
- 14 *Ibid*, Chap 5, Annexure III, pp 121-124.
- 15 *Ibid*, p 90.
- 16 *Ibid*, p 96.
- 17 *Ibid*, p 97.
- 18 *Ibid*, p 98. Emphasis added.
- 19 Zoya Hasan, "Problems of Nationalisation: Case of the Indian Drug Industry, 1974-75", *Indian Journal of Political Science*, June 1980, p 237.
- 20 *Ibid*.
- 21 Ministry of Industrial Development, Internal Trade and Company Affairs, *Report of the Industrial Licensing Policy Inquiry Committee (Main Report)*, Delhi, 1969, p 16. However, ILPIC assumed that "the (foreign) collaborating concern and other non-resident shareholders usually adopt a policy of non-interference in the internal management of the company" and therefore excluded these shareholdings also in their computation of effective equity" (*ibid*, p 15). This contention is, however, unjustified as various studies have shown as we shall see.
- 22 Benjamin Cohen, *Multinationals and Asian Exports*, New Haven, 1975, p 9.
- 23 See for instance the statement by the Finance Minister, *Economic Times*, 2 August 1978.
- 24 For an illustrative list of capacity expansion, see Sudip Chaudhuri, "FERA: Appearance and Reality", *Economic and Political Weekly*, 21 April 1979, p 739.
- 25 "Expansion through FERA", *Economic and Political Weekly*, 3 December 1977, p 1991.
- 26 From prospectuses of the respective companies available with the Corporate Information System(IIPA).
- 27 Hasan, *op cit*, p 254.
- 28 *Hathi Committee Report*, p 25.
- 29 J S Majumdar. "Instruments of Policy", paper read at the seminar on the Drug Industry and the Indian People, AIIMS, New Delhi, 7-8 November 1981, mimeo. (Henceforth the seminar will be referred to as Drugs Seminar).
- 30 *Ibid*.
- 31 *Ibid*.
- 32 *Ibid*.
- 33 Statement by the Minister of Petroleum and Chemicals in the Lok Sabha, 29 March 1978.
- 34 *Economic Times* (Bombay), 13 February 1981.
- 35 *Indian Express* (New Delhi), 18 October 1981. This would perhaps qualify as another "improvement" by the present government over the earlier Janata policies.
- 36 Sanjaya Lall, "International Pharmaceutical Industry with Special Reference to India", *Oxford Bulletin of Economics and Statistics*, August 1974, p 143.
- 37 H G Grabowski and J M Vernon, "Structural Effects of Regulation on Innovation in the Ethical Drug Industry", in R J Mason and P D Qualls (ed), *Essays on Industrial Organization*, Cambridge, 1976, p 195.

- 38 For instance, Merck, Sharp and Dohme, and Organon and Syntex in corticosteroids; Glaxo and Beecham in penicillin; Squibb, Lederle and Pfizer in streptomycin and tetracyclines; Ciba, and May and Baker in anti-infectives, and so on. See B V Ranga Rao, "Foreign Technology in Indian Pharmaceutical Industry", *International Seminar on Technology Transfer*, Vol I, C S I R, pp 10.21 - 10.22. See also Nagesh Kumar, "Evaluation of Direct Foreign Investment in India—A Case Study of Drugs and Pharmaceutical Concerns", unpublished M Phil dissertation, Delhi School of Economics, June 1980, Chapter 3.
- 39 Lall, *op cit*, p 145.
- 40 *Transnational Corporations and Pharmaceutical Industry*, U N Centre on Transnational Corporations, New York, 1979, Table 4, p 110.
- 41 Lall, *op cit*, p 145.
- 42 *Hathi Committee Report*, p 87.
- 43 Based on information given in *Who Owns Whom*, London, Dun and Bradstreet Ltd.
- 44 *U S Business Directory for India*, New Delhi, US Embassy in India, 1978, pp 8-9.
- 45 B V Ranga Rao, *Indian Drug Industry—Its Status Perspective*, New Delhi, Centre for Studies in Science Policy, Jawaharlal Nehru University, 1975.
- 46 Sanjaya Lall, "Multinational Companies and Concentration: The Case of the Pharmaceutical Industry", *Social Scientist*, Vol 7, No 8/9, March - April 1979, p 16.
- 47 *Economic Times*, 27 August 1977 (Research Bureau study).
- 48 *Patriot*, 1 July 1981.
- 49 W V Rane and A R Patwardhan, "Priorities in Drug Manufacture", paper read at the Drugs Seminar, mimeo.
- 50 S Bhattacharya, "Drug Trials on the Indian People", paper read at Drugs Seminar, mimeo.
- 51 *Economic Times* (New Delhi), 6 November 1981.
- 52 *Patriot*, 30 November 1981.
- 53 Public Accounts Committee (Fifth Lok Sabha), *Foreign Participation or Collaboration in Research Projects in India*, 167th Report, Delhi, 1975, p 184.
- 54 *Ibid*, pp 184-190.
- 55 Goodman and Gilman (ed), *The Pharmacological Basis of Therapeutics*, 5th Edition, 1975, p 349. Quoted by A R Phadke, "Scientific Scrutiny of some Over-the-Counter Drugs", paper read at the Drugs Seminar, mimeo.
- 56 Phadke, *ibid*. Phadke gives several other examples including cough syrups, vitamin formulations and so on.
- 57 *Economic Times* (New Delhi), 22, 30 July 1981.
- 58 See N I Joseph, "Multinationals in the Indian Drug Industry", *Social Scientist*, Vol 7 No 8/9, March-April 1979, p 82.
- 59 Gouri Pada Datta, "Drugs, Drug Industries and Indian People", paper read at Drugs Seminar, mimeo.
- 60 *Economic Times* (New Delhi), 28 November 1981.
- 61 Daniel Creamer, *Overseas Research and Development by United States Multinationals, 1966-1975*, Conference Board, 1976, p 5.
- 62 The Sandoz Group's R and D figures are given in the 1980 annual report of Sandoz India Ltd which carefully avoids mentioning its own R and D figure. The latter was furnished by the Minister of Petroleum, Chemicals and Fertilizers in statement LT-1196/77.

- 63 Lobbies of drug MNCs like OPPI justify the centralization of R and D in the home country on the specious plea that "disease knows no national boundaries". Yet, some tropical diseases are unknown in the West, on which therefore little R and D is carried out. The availability of only one drug for treatment of leprosy and filaria from which millions suffer in India, is obviously an outcome of this tendency.
- 64 Sudip Chaudhuri, "The Role of the Foreign Controlled Firms vis-avis the Indigenous Firms in the Pharmaceutical Industry in India", paper read at the Drugs Seminar, mimeo.
- 65 *Ibid.*
- 66 *Ibid.*
- 67 Chaudhuri provides several other examples.
- 68 This is based on an unpublished Corporate Studies Group study.
- 69 Reply by the Minister of State for Petroleum, Chemicals and Fertilizers to unstarred question no 1620, Rajya Sabha, 9 March 1981. S K Goyal, in a survey of excess capacity with the Indian corporate sector has found that "the largest number of cases, and particularly those having more than 25 per cent excess installed capacity, are of Multinational Corporations". See S K Goyal, "A Preliminary Survey of Excess Industrial Capacities with the Indian Corporate Sector", Corporate Studies Group, Reprint No 6, Indian Institute of Public Administration, July 1980.
- 70 Majumdar, "Instruments of Policy", *op cit.*
- 71 Goyal, "The Impact of Foreign Subsidiaries on India's Balance of Payments", study prepared for the Joint CTC-ESCAP Unit, Bangkok, 1975, mimeo.
- 72 K K Subrahmaniam and P Mohanan Pillai, *Multinationals and Indian Export*, New Delh , 1979, Chap III.
- 73 C Vaitsos, *Inter-country Income Distribution and Transnational Enterprises*, Oxford, 1974, Appendix 5. Sanjaya Lall, *The Multinational Corporations*, London, 1980.
- 74 J. Majumdar, *Multinationals in Drugs & Pharmaceutical Industry in India*, Calcutta, 1979, p. 44.
- 75 Answer to Question No 6163, Lok Sabha, 15 April 1975.
- 76 Minister of Petroleum, Chemicals and Fertilizers in reply to unstarred Question No 365, Lok Sabha, 2 November 1978.
- 77 C P Chandrasekhar and Prabir Purkayastha, "Transfer Pricing in the Indian Drug Industry", *Social Scientist*, Vol, 10, No 1, January 1982.
- 78 Nagesh Kumar, "Evaluation of Direct Foreign Investment, *op cit*, Chap 5.
- 79 B B Roy, factory manager's notification cited in Majumdar, "Instruments of Policy", *op cit*,
- 80 *Economic Times* (New Delhi), 24 November 1981.
- 81 A sharp, and even somewhat biased, critique of the role of the public sector drug companies is given in Subrata Sinha, "Drug Prices and the Public Sector", paper read at the Drugs Seminar, mimeo.
- 82 The confidential IMF documents on India's loan were published in abridged form in N Ram's dispatches in the *Hindu*, 17-21 October 1981. See also the white paper published by the Government of West Bengal on the IMF loan.

NOTE

On National Integration

THE problem of forging harmony, unity and cohesion among the different segments of a population is undoubtedly a difficult task as no country has perfectly homogeneous people. If the people are of a mixed character, there are bound to be social differences, ethnic and cultural variations, political discords, economic rivalries and historical antagonisms. There is no sovereign remedy to eliminate the problem in order to bring about a uniform pattern of thinking and behaviour.

Here a distinction should be made between political integration and national integration. Political integration means a shifting of loyalties to the newly created centre in the system.¹ National integration is something more than political integration. Its essence is an agreement among the different nationalities, minorities and other groups constituting the political community which strikes an equilibrium between the "communal" identity and the national identity. Pluralism and cross-pressuring are the devices to effect such an equilibrium. National integration, therefore, is a necessary condition for political and economic development.

In the developing countries, the problem of integration is becoming more and more acute. The Tamils in Sri Lanka, the overseas Chinese in Indonesia, the Qadionis and Pushtu-speaking population in Pakistan, the Bihar Muslims in Bangladesh, the Kurds and Bahais in Iran may be mentioned in this context. In India, the problem of the Muslims, Christians, Scheduled Castes and the tribals still awaits solution. The Assam agitation and the demand for Khalistan underline the gravity of the problem of integration.

In India, the problem of national integration is generally perceived in terms of the role and aspirations of the different minority groups. The basis of these groups may be religion, ethnicity, language or region. However, no definition of the term minority can be taken as wholly satisfactory. Those who constitute less than 50 per cent should be called a minority. But difficulties arise when

one asks the question: 50 per cent of what? In India, the Hindus are a "majority" since they constitute 82.72 per cent of the total population. But they are not a majority in Jammu and Kashmir, Punjab and Nagaland where Muslims, Sikhs and Christians respectively constitute more than 50 per cent of the total population.² It is also wrong to believe that, if the Hindus are about 83 per cent only, the remaining 17 per cent constitutes non-Hindu minorities. A bulk of the Scheduled Castes, enumerated as Hindus in the Census, certainly do not share the Hindu identity. The so-called Hindu society is characterized by fragmentation, rigid stratification and hierarchy. The vertical and horizontal divisions of the Indian social structure show that the terms "majority" and "minority" are both imprecise. There is no homogeneous oppressor "majority" which exploits other "minorities".

The problems of the minorities like the Parsis or Jains are different from those of the Scheduled Castes, Scheduled Tribes and the Muslims, an overwhelming majority of whom are deprived and impoverished. In view of their numbers and economic position, these minorities (the Scheduled Castes, the Scheduled Tribes and Muslims) cannot be treated on a par with other "minorities" like Parsis and Jains who may be described as "middleman" minorities.

This is not to deny the existence or the validity of the minority groups as the Hindu chauvinists do. Nor does it mean that their particularistic nature should be ignored³. What is stressed here is that neither the "majority" community nor the "minority" communities are well-knit and homogeneous. They are divided socially, politically and economically. The social and economic divisions in these communities are bound to be expressed in different and conflicting political stands. It is, therefore, exceedingly difficult to generalize the so-called incidence of caste and "communal" conflict and violence. It should be explained in terms of local situational and economic factors rather than Hindu-Muslim or high caste-Dalit conflict. A number of studies conducted on caste and communal violence bear this out.

The Weberian Framework

For the Western tradition of social science, the theoretical framework about Indian politics is more Weberian than Marxist. "It boils down to the simple proposition that people pursue their interests in society by forming groups and selecting identifications that maximize their advantage in the competition for scarce jobs and economic resources and for political power."⁴

Consequently, some theorists believe that the existence of a number of groups and their operation in the socio-economic life of the nation generate an area of conflict and disharmony. Communalism, linguism, regionalism, and so on, are considered to be manifestations of the divisions in the social structure. These divisions are described as the product of the strong primordial loyalties which are imperfect in any traditional society. In any developing country a conflict between "primordialism" and "modernization" is regarded as essential, being characterized as a tradition-modernity dichotomy. The tension takes a chronic form because the "people's sense of self remains bound up in the gross actualities of blood, race, language, locality, religion, or tradition, and because of the steadily accelerating importance in this century of the sovereign state as a positive instrument for the realization of collective aims".⁵ It is seen to be the responsibility of the modernizing elite to dilute and weaken primordial loyalties and create a new centre which could command the loyalty of the people and generate value consensus in order to avoid conflict and tension. The role of the modernizing elite is, therefore, crucial to this view.

Another group of social scientists believe that there is no dichotomy between tradition and modernity. The interaction between the two results in the modernization of tradition and traditionalization of modernity. The functioning of different institutions like religion and caste is cited to show that they have been playing an important role in making democracy and competitive polity meaningful and participatory. Many studies suggest that these institutions, far from acting as disintegrating forces, stabilize the polity and provide opportunities to the different sections of the people for upward mobility and achievement of desired goals. After all, the "political community" consists "in the development of loyalty and allegiance to such institutional forms, aided and abetted by the mediating role of secondary associations, by the caste, occupation, or other interest-oriented groups". It is also argued that caste associations, communal organizations, and so on, are "essential to developing nationhood in a pluralistic society".⁶ P C Aggarwal's study of the Islamic revivalism among the Meos suggests that "a democratic political system is, at least initially, hardening the lines which divide religious and ethnic groups. To these collectives, consolidation appears more advantageous for political gain. ... In my judgement, revival of religion in Independent India is not simply a search after some amorphous, 'primordial identity', as has been suggested by Gertz and Shils, but a pragmatic adaptation to a social setting where religion, caste and linguistic

barriers are still strong, and the secular melting pot has not yet begun to boil. Lastly,... it (religious revival) has also generated greater desire for modernization".⁷ Commenting on the role of ethnicity in Indian politics, Paul Brass argues that "...there is nothing false about the consciousness that develops around the choice of ethnicity as the identification that best serves the interests of the ethnic group in question; it often works in both the short and the long run, and it sometimes also leads to creation of solidarities that cut across internal class divisions—within the ethnic group. It works because, among other reasons, it is easier to organize small, culturally distinct groups than large, multicultural class collectivities and because, admittedly, state authorities would rather recognize cultural categories than class categories".⁸ In this context, the function of the central government and administration is to effectively mediate between the conflicting groups and maintain an order and balance in the system.

Most of the works of American and Western social scientists and their Indian followers betray a faulty understanding of the Indian social system. This is perhaps inherent in the Weberian approach. The social scientists follow a particular concept of society and state which undermines the fact of class divisions, of the economic basis of political power, and the role of the dominant economic class as the ruling class and the manipulation of the system to perpetuate exploitation and inequalities.⁹ Consequently, the whole question of national integration is looked upon from a supra-class approach to modernization, without properly analysing the social and economic context of modernization with all its implications on the production relations and class conflict in society. The approach provides a non-political, that is, socio-causal, understanding of integration. Integration is achieved via social assimilation and measured in terms of transactions between groups. There is, however, no necessary theoretical relationship between social assimilation and national integration.¹⁰

The "Weberian" approach does not really take into account the interaction among the social, political and economic systems in the developing countries.

The Indian bourgeoisie, unlike its counterpart in Europe, is not sufficiently "revolutionary" to fight feudalism and its remnants and to strive for a rational secular ideology. It resorts, therefore, to maintaining the pre-capitalist socio-economic formations. The compromising posture of the ruling class is evident in all matters of culture, religion, education, and so on. The chauvinistic and reactionary outlook naturally raises suspicions in the minds of smaller religious communities. The extremist kind of response to this can be seen in.

the politics of the Muslims, the Sikhs and the Dalits simply because of the non-redressal of their genuine grievances.

The point is that the real beneficiaries of the system are the metropolitan bourgeoisie, monopoly bourgeoisie and the landlords. Such a system hastens the process of pauperization of the people and is the greatest source of disruption and disintegration in the polity. It produces uneven economic development and fosters agitations like the one in Assam.

A word about the mobilization and consolidation of the "primordial" or traditional collectivities. The articulation and association of the demands for material advantage or share in the spoils have been acclaimed by Western social scientists. They discard the criticism that such movements are the product of "false consciousness". But they do not seem to be aware of the real limitations of these movements. The politicization of the "primordial allegiances" may play a limited progressive role, but such movements can never become revolutionary and emancipatory. They are used for petty political and economic gains by a very small segment of the collectivities. They tend to become counter-productive. What Engels said about the religious uprisings in the Muslim world, and especially in Africa, is applicable to the Indian caste and religious movements: "All these movements which assume a religious cloak have economic causes. But even when they succeed they leave the old economic conditions untouched. Everything remains as it was, and a clash becomes a periodic occurrence."¹¹ They cannot succeed because caste and religion have not been used to serve as a banner and a mask for attacks on the social and economic system which is becoming obsolete. But the Western social scientists are not concerned with changing or overthrowing the system. "I now believe that the only way to change the world is to interpret it", said David Apter.¹²

What are the options available to the different minority groups in a democratic set-up for maintaining their separate cultural identity? Or what compromise should they strike, at the cost of their distinct and unique individuality, with the demands of a polity dominated by a majority which is culturally different? In the Indian context, secessionism and dominance-seeking, as the minority group goals described by Louis Wirth, are out of the question.¹³ However, a demand for autonomy should not be confused with secession. In India such a confusion has been persistent since the early 1960s.¹⁴ Militant or dominance-seeking goal through Christianization or Islamization of India cannot be crystallized, as conversion on a large scale generates the danger of a Hindu backlash. Recent

conversion of the Scheduled Castes to Islam in South India and the activities of the missionaries in North-East India have created a bitter reaction which adversely affects the minority communities' interests.¹⁵

Pitfalls of Pluralism

The other two options as described by Louis Wirth are pluralism and assimilation. They need to be elaborated because pluralism has been consistently advocated by the leaders of the national movement and after independence by the leaders of the ruling party. A policy of assimilation is being propounded by the chauvinist Hindu groups and their cultural and political organizations.

The basis of the assimilationist theory is the division of the people into religious communities. It implies the consolidation of the majority community. Attempts at reform and change are condemned as they divide the community. After all, not equality but harmony should be the guiding principle of the Hindu nation. The non-Hindus should not be trusted, because "with the change in their faith, gone are the spirit of love and devotion for the nation".

"Nor does it end there. They have also developed a feeling of identification with the enemies of this land. They look to some foreign land as their holy place. What is needed is to fuse them all in the Hindu way of life, in our Dharma, and take them back as lost brothers".¹⁶ It is also asserted that the accident of residing in a common territory cannot make them—the Jews and Parsis, the Muslims and Christians—the children of the soil.

The assimilationist approach also discards special treatment to the lower castes as it creates artificial distinctions, which are entirely based on discrimination. It views the reservationist policy as a discount on merit and a premium on inefficiency. The advocates of "assimilation" hold that the non-Hindus should "cease to be foreigners or may stay in this country wholly subordinated to the Hindu nation, claiming nothing, deserving no privileges, far less any preferential treatment—not even citizens' right".¹⁷ The assimilation view of national integration means elimination of diversity and the assimilation of the non-Hindus into the Hindu culture and Dharma.

The pluralist approach is based on the "one nation" theory and the recognition of the existence of various minorities, and linguistic and cultural groups. It upholds the principle of

secularism which means that there is no state religion, no particular religion gets any patronage from the state. The advocates of the pluralist approach believe in "protective discrimination" as a positive attempt to uplift the lowest of the low in the society.¹⁸ Obsessed with the "one nation" theory which serves the interests of the bourgeoisie in effect, this approach has meant the denial of the existence of nationalities. The pluralist theory recognizes the minority groups or communities but cannot solve their genuine cultural problems. In India, pluralists recognize the need for regional reorganization of the polity but suspect the validity of regional autonomy.

In a non-socialist underdeveloped country like ours, the pluralist theory also fails to satisfy the aspirations of the different minority groups. The ruling party which subscribes to the theory cannot adopt a genuinely secular posture, since it is concerned with appeasing the religious feelings of the majority for gaining the obvious political benefits. Its approach towards the minorities is not to offend the thoroughly reactionary beliefs and oppressive ideas and institutions. Instead of promoting a secular outlook, the government and its agencies promote orthodoxy and blind faith.

Besides, the protective discrimination which has become a part and parcel of the pluralist theory, both in the advanced capitalist countries like the USA and in the developing countries like India, has been a failure. Such a policy helps only to buttress a small upper layer of the community which is already quite well-off. The American experience of the black community is illustrative of this phenomenon. According to William J Wilson, "On the one hand, poorly trained and educationally limited blacks of the university, including that growing number of black teenagers and young adults, see their job prospects increasingly restricted to the low-wage sector, their unemployment rates soaring to record levels, ... their labour force participation rates declining, their movement out of poverty slowing, and their welfare roles increasing. On the other hand, talented and educated blacks are experiencing unprecedented job opportunities that are at least comparable to those of whites with equivalent qualifications".¹⁹ A number of studies in India have suggested that the reservation policy for the Scheduled Castes and Scheduled Tribes has benefited only a small segment of these communities.

One of the reasons is the prevailing socio-economic order. It is pointed out that in the United States discrimination against ethnic minorities annually brings the monopolies at least 30,000 million dollars in super-profits.²⁰ In the case of the Scheduled Castes in

India (between 1961 and 1971); there has actually been an increase in the percentage of persons who are engaged in the primary sector of our economy—from 75.1 per cent in 1961 to 82.3 per cent in 1971. Within the primary sector, there has been an increase in the proportion of the landless labourers and a decline in the proportion of cultivators. In 1961, there were 345 landless agricultural labourers and 378 cultivators per thousand among the Scheduled Castes. In 1971, the corresponding figures were 518 and 279 respectively. The figures indicate relatively faster pauperization of the Scheduled Castes among the mass of toiling people.

The atrocities on the Harijans and Adivasis, which have been registered with the administration, have gone up, from 1089 in 1966 to 5969 in 1977. In the first six months of 1978 the number had already reached the figure of 5952. While the general crime rate has fallen by 10 per cent, the number of atrocities committed against the Harijans has risen by 41.9 per cent. Murders decreased generally by 12.57 per cent but increased by 100 per cent in respect of Harijans. The number of communal clashes (of which the main victims were the poor Muslims) between 1967 and 1976 was 3009.

An Alternative Approach

The limitations of the pluralist theory impel us to evolve a different strategy for handling the problem of national integration. The concept of nation and nationality should clearly be stated. It is necessary to discard the Hindu chauvinist view and the ruling party's approach. The chauvinist view does not regard the non-Hindus as a part of the Indian nation, while, to the pluralists, people speaking different languages and comprising distinguishable nationalities living in the country are one nation.

Such a definition of the term "nation" can stand neither the test of history nor science. It does not help one to analyse and assess the national problem in India in all its facets. The Indian sub-continent, both before and after its partition into the Indian Union and Pakistan, is a vast country comprising people speaking different languages, living in different compact and contiguous areas, and belonging to varied ethnical, racial and cultural groups. It was a multinational state ruled by the British colonial rulers. Neither the sentimental theory that the entire Indian sub-continent was "nation", nor the pernicious communal theory that it comprises two nations, namely, Hindus and Muslims, can meet the truth or the scientific point of view. ...The Indian Union is multi-lingual and

multi-national in character. Without such clear thinking on the issue it is neither possible to consciously work for the preservation and strengthening of Indian unity and its integration, nor easy to effectively fight against the forces of disunity and disintegration.²¹

The concept of national integration also involves a definite cultural policy of the state. Lenin, while analysing the national question in Europe, said that there are two nations in every national culture. To counterpose this fact against another allegedly integral national culture is a facet of bourgeois nationalism. Lenin further said that assimilation and amalgamation of the proletariat of different nationalities is necessary because bourgeois nationalism "drugs the minds of the workers, stultifies and disunites them".²²

In order to ensure cultural security to the different minority groups, secularism in the true sense of the word should guide the state's policy. There should be a real separation between religion and state, that is, depriving all the religious communities of any support from public funds, and of all influence on public education; this is not practised in India. At the same time, an attempt should be made to create an atmosphere of tolerance. Unnecessary attacks on religious prejudices which tend to perpetuate the division of the people along religious lines should be avoided. Such a policy requires greater and consistent democracy.

The question of national integration is neither one of biological fusion of the various nationalities or communities, nor of maintaining the autonomous communal or regional identities. It is a question vitally connected with the nature of the socio-economic order. The deepest source of religious prejudices "is poverty and ignorance, and that is the evil we have to contend with", said Lenin. If the economic and social policies of the system lead to concentration of power and deny equality of opportunity to the overwhelming majority of the people belonging to all communities, discord and disharmony are inevitable. In such a system the ruling class has a vested interest in dividing the people along communal and religious lines. The problem should be tackled at that level. Without this, high-sounding exhortations and platitudes like "unity in diversity" or "composite culture", will be of little help in achieving the goal of national integration.

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- 1 Donald Rothchild, "Ethnicity and Conflict Resolutions" *World Politics*, July 1970, p 597.
- 2 *India 1979*, Reference Annual, Delhi, 1979, p 10.
- 3 Compare: "The world minority denotes a section of the people living in this land but belonging to some other nation. ...Due to some historical circumstances they have imbibed foreign traits. They have to be resurrected and rehabilitated", Deen Dayal Upadhyaya, *Seminar*, New Delhi, January 1962.
- 4 Paul R Brass, "Class, Ethnic Group and Party in Indian Politics", *World Politics*, April 1981, p 454.
- 5 Clifford Gertz, *The Integrative Revolution in Old Societies and New States*, New Delhi, 1963, p 108.
- 6 Joseph R Gusfield, "Political Community and Group interests in Modern India," *Pacific Affairs*, Summer 1965, pp 130 and 131. See also Rudolph Lloyd and Suzanne Rudolph, *The Modernity of Tradition*, New Delhi, 1967, pp 24-26.
- 7 Partap C Aggarwal, "Islamic Revival in Modern India—the Case of the Meos", *Economic and Political Weekly*, 18 October 1969, p 1680.
- 8 Paul R Brass, *op cit*, p 453.
- 9 See R Miliband, *State in Capitalist Society*, London, 1978, pp 4-6.
- 10 Bhola Nath Banerjee, "Rudolphs and the Modernity of Indian Tradition", *Socialist Perspective*, Special Number 1976, pp 26-27.
- 11 Karl Marx and F Engels, *Pre-Capitalist Socio-Economic Formations*, Moscow, 1976, p 483.
- 12 D E Apter, "The Passing of Development Studies—Over the Shoulder with a Backward Glance", *Government and Opposition*, Summer-Autumn, 1980, p 275.
- 13 Louis Wirth, "The Problem of Minority Groups", in Ralph Linton (ed), *The Science of Man in the World Crisis*, New York, 1945, p 354.
- 14 Compare, C N Annadurai: "We say we demand unqualified enforcement of the theory of self-government or the state's sovereignty and autonomy. Our opponents have labelled this demand as aiming at secession. ... The problem before us is: How are we to accommodate the theory of self-government within the framework of the anti-secession constitutional amendment?", *Link*, 27 October 1963.
- 15 See Moin Shakir and H A Gani, "Conversion Phenomenon", *Secular Democracy*, October 1981.
- 16 M S Golwalkar, *Bunch of Thoughts*, Bangalore, 1968, pp 127-133. See also M S Golwalkar, *We, or Nationhood Defined* and Balraj Madhok, *Indianization*, Delhi, n.d.
- 17 *Ibid.*
- 18 For a detailed discussion, see Moin Shakir, *Politics of Minorities*, Delhi, 1981, Chapter 1.
- 19 William J Wilson, *The Declining Significance of Race*, Chicago, 1978, p 151.
- 20 Mark Mitin, "The Social System and Human Rights", in *Bourgeois Democracy and Human Rights*, Moscow, 1978, p 8.
- 21 Note on National Question adopted by the 9th Congress of the Communist Party of India (Marxist), Calcutta, 1972, p 97.
- 22 V I Lenin, *Critical Remarks on the National Question*, Moscow, 1971, pp 28-29.

COMMUNICATION

Inventiveness in Society

IN his paper, "Inventiveness in Society",¹ Amiya Kumar Bagchi has examined the character of scientific and technological changes made during the last three centuries and evaluated the experience of advanced capitalist societies, socialist countries and Third World countries with regard to the effectiveness of strategies adopted by these societies for strengthening and directing inventiveness. Based on this review, Bagchi suggests a strategy for promoting inventiveness in India and other developing countries.

The object of this note is to make a few comments on the key formulations which Bagchi has used to characterize the contemporary developments in science and technology and discuss the implications of the strategy suggested by him for strengthening and guiding the innovation effort in India.

Bagchi starts with stating that most of the production-related inventions made during the last three centuries have been the products of the capitalist system of production and that the environment in the developing countries is least conducive for the promotion of production-related inventions aimed at the development of the productive capacity of the civilian sector. The three basic forces—the scientists and technologists, the firms advancing innovative effort to increase their profits and the competitive spending on defence by the major international powers—which together have propelled the whole apparatus of research in science and technology are unlikely to be released in the Third World countries. Therefore, he proposes the promotion of socialist invention "as a way of exploring the future and accumulating an inventory of potential inventions to be used by the people when production can be released from the shackles of direct or indirect control by foreign governments and transnational corporations". It is suggested that "these futuristic inventions are unlikely to be very glamorous in poor countries, for, almost by definition, most of them would have to economise greatly on capital, thus

reversing the tendency evidenced continually in advanced capitalist countries".

It is not very clear in the paper what inventions should be considered glamorous. Projects aiming at the use of nuclear energy and the development of applications of space technology in the areas of satellite communication, exploration of natural resources by remote sensing and weather information systems, and so on, have often been termed glamorous because alternatives which would have economized on scarce capital exist, and because these projects may not directly provide solutions to the problems of hunger and unemployment. The choice of allocating resources to the above-mentioned projects is ascribed mainly to the motivation of enhanced prestige. If Bagchi too considers these projects to be glamorous, there are substantial reasons for the Left to reject the concept of socialist inventions. By undertaking only those choices which economize on capital, we will be damaging the prospects of eliminating economic backwardness and hampering the development of productive forces. We will be deprived of the opportunities to derive benefits from the possibilities of making use of outer space for development and of exploiting the resources of the ocean because most of them involve utilization of global resources. Sharing of these global resources by the developed countries will be determined by our bargaining power which is a function of the capability we possess in the development and use of these technologies. These and other fast emerging technologies in the areas of materials, energy and electronics, which are extremely capital-intensive and do not promise sources of very large employment, are bound to affect seriously the outcome of struggle going on between the developing countries and the developed capitalist countries for the establishment of a new international economic order. To neglect them would mean weakening the position of the developing countries and reversing possibly whatever gains these countries may have made in recent years in the area of prices for raw materials and establishment of a new national division of labour.

Bagchi's paper is not very clear regarding the criterion for the choice of technologies and principles for the design of new technologies, but the impression one gets from the suggestion of economizing greatly on capital and thus reversing the tendency evidenced continually in advanced capitalist countries is that Bagchi is arguing for labour-intensive and less capital-intensive technologies, at least in sectors where choice exists.

Where and in what sectors are we to economize? Are we to economize in the extent of the use of capital-intensive technologies or

by eliminating the products using capital-intensive technologies? How are we to choose the basket of products? We consider that the answer to the questions concerning the framework for the choice among existing technologies and the development of new technologies in the developing countries cannot be reduced merely to economizing on capital. Many of these questions can be answered only if we are discussing a particular sector and a particular country. Attention will have to be given to aspects like the use of local natural resources (both exhaustible and renewable), impact on exports, substitution of critical imports, employment potential, scale, type of products, output, standardization, problems of maintenance and repairs, elimination of hazardous and arduous task in the production of all goods; including traditional products and the political consequences, which are extremely important. Here again, the first order and second order impacts, and the short-term and long-term consequences have to be taken into account.

Employment is, indeed, an acute problem in the developing countries but labour-intensive and intermediate technologies cannot provide long-term solutions to the problems of developing countries. Of course, not all the contemporary achievements in science and technology are, at the moment, of equal importance to the developing countries. It would be unwise to introduce all the latest technologies and employ costly methods of raising efficiency at the early stage (like mechanization in agriculture and the choice of higher scale in the manufacture of fertilizers and in power generation). However, on the whole, it would be untenable and unrealistic to think that progress in technology could be made to veer from its normal course of raising productivity and directed to building up the labour-intensive and intermediate technologies.

Bagchi has also classified inventions and innovations to distinguish exhausting from non-exhausting and exploitative from non-exploitative inventions. Inventions promoting recovery, transformation, transportation and utilization of exhaustible natural resources like fossil fuels and exhaustible raw materials are called "exhausting". Exhausting inventions are considered fundamentally wasteful and exploitative. Increased use of natural gas, coal and oil is termed exhausting and exploitative.

Although these distinctions are not clearly integrated into the concept of socialist inventions, the implicit connection is quite obvious. As socialist inventions are unlikely to be adopted in the capitalist environment and they can be adopted only in more egalitarian and less wasteful societies (socialist societies), non-exhausting

and non-exploitative inventions shall form the bulk of the socialist inventions. Socially demanding innovations, which can often generate pressure for changes in production relations and which are expected to be in conflict with the second best innovations that take the present structure of society and international relations for granted, will have to be, almost by definition, non-exploitative.

Invention of coal-mining is called an exploitative invention, "for its success in expelling tribal people from their homelands and the employment of miners on low wages in those 'death-traps'." It is quite clear that, firstly, a confusion arises out of the failure to distinguish between invention and innovation. It is the innovation that actually reflects the ways in which the technique gets embodied and corresponds to the characteristics of the relations of a particular mode of production. Invention of coal-mining does not inherently require low wages and exploitation of the tribal people. These issues cannot be resolved technologically and they come within the ambit of socio-economic and political solutions to the problems of development. The sole aim of getting the highest profit at the lowest cost regardless of any adverse effects on workers is a characteristic of the capitalist mode of production. It is not difficult to conceive that with the progress in scientific knowledge underground gasification of coal would become technically and economically feasible—which will even eliminate the harmful effects experienced on the health of miners. Harmful effects of coal-mining on health and environment have already been brought under considerable control with the adoption of improvements in the technique of mining in the socialist countries.

The distinction made is ahistoric and comes close to the position of technological determinism. It was the discovery and exploitation of fossil fuels which actually preserved the vestiges of the Western forests from the industrial demand for charcoal. It will be sufficient to recall here the service done by the exploitation of coal strata which saved the forests of England and north-west Europe from total destruction.

Pollution, disturbance of the ecological balance and the depletion of natural resources are the three main aspects of the problem of the environment. It is important to note that man's negative influence on nature was in evidence both before and after the advent of modern machine technology. It is known, for instance, that vast tracts of forests and consequently a large number of lakes and streams were wiped off the face of the earth by man hundreds of years ago—in the period of extensive development of agriculture and stock-breeding. The Sahara is not a product of capitalism.

Most of the proposals suggesting the use of renewable agricultural biomass and forests for the development of energy sources are retrograde. The use of agricultural wastes or the development of cultures designed to produce products rich in energy, sugar starch, oils, turpenes, which can be changed into petroleum substitutes, particularly into ethanol, reveal a total ignorance of agronomic realities. The fear of petroleum shortage and continuing irrational uses of petroleum has led many scientists in the capitalist world to propose the extension of such aberrations, even in countries which already suffer from them. The development of fast-growing energy plantations and the use of forests for methanol and burning are dangerous. The Brazilian government seeks to change the natural composition of the forests by planting 400,000 hectares of eucalyptus. On the opposite side of the globe, in Vietnam, the forest administration proposes to eliminate eucalyptus planted under the French because it degrades the soil. The degradation of soil in the tropics is more difficult to reverse than elsewhere.

Is it not astonishing that a country with an inestimable hydraulic potential such as Brazil does not plan for the development of an electric railway system, but multiplies its motorways and transforms its agriculture and its forests into petrol pumps? Manioc of Brazil is used as an internal combustion fuel. So long as mankind cannot exist without plant photosynthesis, it has to keep the best of its soils for food production and not for energy products.

Rationality depends on the objectives, and energy policy is an example. The Soviet Union long ago brought together the supply of combined power and heating in towns. The Soviet state did not hesitate to close down, transfer or completely wind up 700 enterprises and workshops from Moscow in a short period of time on ecological grounds. Already 55.8 per cent of water used in industry follows a closed cycle. In the development of transport, preference is being given to public transport as a matter of principle. It is true that the awareness is far greater now in the socialist countries compared to what it was earlier when the efforts of the Soviet Union were directed towards restoring the national economy damaged by war, providing shelter and food for millions of people and when, consequently, they had inevitably to limit the funds and labour force allocated to nature conservation.

The use of capital-intensive technologies has not increased inequalities and created the problem of unemployment in the socialist countries as is the case in the advanced capitalist countries and in the Third World countries pursuing the path of capitalist development.

The adverse impact of the adoption of HYV, sensitive to chemical fertilizer, water and pesticides, in the Third World countries in increasing inequalities is the consequence of unintelligent imitation owing to the inducement by the World Bank, Ford Foundation and the multinationals as well as of the socio-economic system in which they were adopted. HYV seeds adaptable to tropical soils, requiring less water and protectable more by biological means and less by the use of chemical pesticides are possible and they will produce different political consequences under socialism. Automation has resulted in unemployment in advanced capitalist countries whereas the worker in socialist countries does not fear retrenchment. So it would not be wrong to conclude that the distinctions made seem to bypass the real issues and result in ahistoric and unrealistic conclusions.

In the developing countries, the problem of exploitation and the environmental problem have a number of specific aspects attributable to the vestiges of colonialism, neo-colonialism, capitalist path of development, poverty, economic backwardness and the specific features of the ecological systems. The key to solving the ecological problems and eliminating exploitation lies in sweeping socio-economic changes (which Bagchi of course stands for), accelerated industrialization on the basis of self-reliance in science and advanced technology and advanced methods of using natural resources (even if they do not economize on capital and need the use of exhaustible resources and techniques like coal-mining by human beings).

The problems which we have inherited from colonialism are not confined to unemployment alone. Untying ourselves from the linkages with foreign markets developed as a result of colonialism and neo-colonialism is equally important and they need the development of capital intensive technologies (petro-chemistry, metals, power, engineering including nuclear energy engineering, communications, and so on) if the effectiveness and competitiveness of these industries are to be assured at the present and in the future. Achieving self-reliance in science and technology is crucial to the industrialization of developing countries.

The achievement of self-reliance in technology and the building of independent centres of excellence and relevance in scientific research and education constitute the main tasks in directing scientific and technological change.

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1. A K Bagchi, "Inventiveness in Society", *Social Scientist*, Vol 9, No 5-6, December 1980-January 1981.

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BOOK REVIEWS

Dialectical Materialism and Dialectical Materialism

DEBIPRASAD CHATTOPADHYAYA, *LENIN THE PHILOSOPHER*, Sterling Publishers Pvt Ltd, Delhi, Price Rs 65.

DEBIPRASAD CHATTOPADHYAYA is known for his pioneering work in demolishing the fable that materialism is alien to Indian philosophical tradition. His well-known works like the *Lokayata*, *What is Living and What is Dead in Indian Philosophy*, *Science and Society in Ancient India*, and so on, have conclusively proved that the ancient philosophers and scientists in India, like their counterparts in ancient Greece, were materialists. It was the consolidation of class society in the form of Brahmin domination in later centuries that dealt a heavy blow to the materialist tradition of ancient Indian philosophers.

The task of Dialectical and Historical Materialism in India, therefore, Chattopadhyaya points out, is to restore the materialist tradition of ancient Indian philosophy and use it to fight the evil influence of Brahmin culture on Indian society. The "theory" of "Indian spiritualism" as opposed to the "Western materialism" is a weapon of class struggle in the ideological sphere forged by the Brahmin-dominated upper caste society.

Having done this pioneering work earlier, the author has undertaken in the book under review the preparation of "some kind of a guide or introduction" to the philosophical writings of Lenin. His effort here is "to lead the readers to the actual study of Lenin, providing them with some clarifications, annotations and summations that they may be useful only for the limited end of a preliminary acquaintance with Lenin's philosophical ideas". (Page 2).

Explaining why he undertook this work, Chattopadhyaya expresses the conviction "that in these grim and anxious days through which India today is passing, that which holds hope for our future is the growing awareness of our people of socialism being the only way out" and that "an essential pre-condition for moving forward

to Socialism is the consolidation of Socialist consciousness in its right sense among the Indians today". For this, he goes on, "it is imperative to understand and absorb the philosophical views of Lenin". (Page 1).

A question may arise whether the purpose mentioned here will be served by familiarizing the readers with only the *philosophical* writings of Lenin. Is it not necessary to introduce the readers to such works of Lenin as *Development of Capitalism in Russia; What is to be Done; Two Tactics of Social Democracy; Imperialism; State and Revolution; Kautsky the Renegade; "Left-wing" Communism* and so on. In his work as a practical revolutionary, the theoretician and leader of the first victorious Socialist revolution in the world and the organizer of the Communist International, Lenin has not left untouched any field of theoretical or practical study. No revolutionary Socialist in India therefore can afford to neglect the study of this entire material produced by Lenin during his relatively short life as the pioneer of the struggle against revisionism.

The fact, however, remains that the study of the philosophical questions which may appear to ordinary readers as abstruse, unrelated to practical revolutionary activities, was for Lenin, as for Marx and Engels before him, a part of the class struggle. Chattopadhyaya, for instance, explains "the ideological-political context" of *Materialism and Empirio - Criticism*. "Lenin would not have written any specialised treatise on philosophy for the sake of some academic attainment. Motivated as he was above all by the cause of revolution, it is inconceivable that he could undertake any strenuous research unless he saw its direct bearings on his revolutionary activities. In other words, he must have something compelling political purpose for writing such specialised treatise on philosophy, inclusively of—as we shall see—the philosophy of science. As a matter of fact, we now know that, while sending instructions for expediting the publication of the book, he emphasised on 'serious political obligations' involved in it". (Pp 15-16).

"The immediate purpose of the book", Chattopadhyaya goes on, "was to counteract the influence of a philosophical view that was causing serious ideological rift in the Russian Socialist movement. Even some of the important theoreticians in Lenin's own party, under the spell of this view, were carried to a position that amounted to the most violent distortion and overt rejection of the fundamentals of the Marxist philosophy". (P 161).

Chattopadhyaya then quotes from the preface of the first edition

of *Materialism and Empirio-Criticism*: "A number of writers, would-be Marxists, have this year undertaken a veritable campaign against the philosophy of Marxism. In the course of less than half-a-year, four books devoted mainly and almost exclusively to attacks on dialectical materialism have made their appearance... .

"All these people could not be ignorant of the fact that Marx and Engels scores of times termed their philosophical views dialectical materialism. Yet all these people who, despite the sharp divergence of their political views, are united in their hostility toward dialectical materialism, at the same time claim to be Marxists in philosophy!...In deed—a complete renunciation of dialectical materialism, i.e., of Marxism; in word—endless subterfuges, attempts to evade the essence of the question, to cover their retreat, to put some materialist or other in place of materialism in general, and determined refusal to make a direct analysis of the innumerable materialist declarations of Marx and Engels....This is *typical philosophical revisionism*, for it was only the revisionists who gained a sad notoriety for themselves by their departure from the fundamental views of Marxism and by their fear, or inability, to 'settle accounts' openly, explicitly, resolutely and clearly with the views they have abandoned." (Pp 19-20. Emphasis added).

All students of Lenin's writings know that every single piece he wrote—whether they are fairly big tomes like *Development of Capitalism in Russia*, *Imperialism, State and Revolution*, and so on, or shorter propaganda material like *What is to be Done*, *Two Tactics of Social Democracy* and so on, or whether they are still shorter articles, notes, letters, and so on—were the weapons with which he fought non-proletarian ideologies and substantiated the proletarian Marxist theoretical positions. *Development of Capitalism in Russia* was produced in the course of the struggle against the anti-Marxist Narodniks. *What is to be Done* came out in the course of struggle against right opportunism on questions of organization. *Two Tactics*, *Imperialism, State and Revolution*, *Kautsky the Renegade*, "*Left-Wing*" *Communism*, and so on, were all directed against revisionism and opportunism of one or another kind. Being a true Marxist, he defended the fundamental tenets of Marxism and, at the same time, further developed and enriched it in accordance with the changing situations and as required by the needs of the revolutionary movement.

In the course of this struggle against the anti-Marxist trends among those who call themselves Marxists, he found what Chattopadhyaya calls a "massive revival of idealism". Mach, Avenarius, Petzoldt and others had entered the field of philosophy, reviving the

idealist theories of earlier European philosophers which had been dealt crushing blows by the 18th century materialists. The most developed, scientific form of these theories was Dialectical and Historical Materialism. Marxism cannot be defended and carried forward without making a painstaking study of all that was produced by them, in order to refute them and reassert the correctness of Marxism. That was why Lenin undertook the production of such a major work in philosophy as *Materialism and Empirio-Criticism*.

Chattopadhyaya brings out the enormous significance of this work:

In reasserting the Marxist position in opposition to revisionism, however, Lenin took account of the difference in the situation between what he was faced with and what Marx and Engels found themselves in. His task, therefore, was not exactly what Marx and Engels discharged. Like Dietzgen, Lenin pointed out, Marx and Engels "entered the philosophical arena at a time when materialism reigned among the advanced intellectuals in general, and in working class circles in particular. It is therefore quite natural that they should have devoted their attention not to a repetition of old ideas but to a serious theoretical *development* of materialism, its application to history, in other words, to the *completion* of the edifice of materialist *philosophy upto its summit*. It is quite natural that in the sphere of epistemology they *confined* themselves to correcting Feuerbach's errors, ridiculing the banalities of the materialist Duhring, to criticising the errors of Buchner, to emphasising what these most widely known and popular writers among the workers *particularly* lacked, namely dialectics. Marx, Engels and Dietzgen did not worry about the elementary truths of materialism, which had been cried by the hucksters in dozens of books, but devoted all their attention to ensuring that these elementary truths should not lead to stagnation of thought...to forgetfulness of the *valuable* fruits of the idealist system, Hegelian dialectics—that pearl which these farmyard cocks...could not pick out from the dungheap of absolute idealism". (P 31).

It can thus be seen that Lenin, like Marx and Engels, had great respect for Hegel who took the revolutionary doctrine of dialectics to its highest point. There was, however, one big difference between Marx and Engels on the one hand and Lenin on the other. In the days of Marx and Engels, the struggle against idealism, for materialism, had already succeeded to a very large extent. The intellectual

works of philosophers had, by and large, become materialist. What was lacking in materialism then was the dialectical method. While dialectics in its idealist form had reached its summit in Hegel, non-dialectical materialism had reached its summit in Feuerbach. Marx and Engels, therefore, considered it their foremost duty as philosophers to apply the dialectical method to the materialist world outlook in philosophy. They used Hegel's dialectics for refuting the idealist basis of Hegel's philosophy. They were, in other words, turning Hegel upside down, or to put it in Marx's own words, to put Hegel back on his head.

Lenin's, however, were days in which there was "a massive revival of idealism". The materialist trend in European philosophy which had asserted itself and reigned supreme in the days of Marx and Engels had been thrown back by this "massive revival of idealism". Lenin, therefore, thought that the time had come to defend Marxism from the point of view of materialism. Lenin himself explained the difference as follows:

Marx and Engels, as they grew out of Feuerbach and matured in the fight against the scribblers, naturally paid most attention to crowning the structure of philosophical materialism, that is, not to the materialist epistemology but to the materialist conception of history. That is why Marx and Engels laid the emphasis in their works rather on *dialectical* materialism than on dialectical *materialism*, and insisted on *historical* materialism rather than on historical *materialism*. Our would-be Marxist Machists approached Marxism in an entirely different historical period, at a time when bourgeois philosophy was particularly specialising in epistemology, and having assimilated in a one-sided and mutilated form certain of the component parts of dialectics (relativism, for instance), was directing its attention chiefly to a defence or restoration of idealism below and not idealism above,...Our Machists did not understand Marxism because they happened to approach it from *the other side*, so to speak, and they have assimilated—and at times not so much assimilated as learnt by rote—Marx's economic and historical theory, without clearly apprehending its foundation, viz., philosophical materialism....They want to be materialists above, but are unable to rid themselves of muddled idealism below!¹

Chattopadhyaya thus disposes of the charges levelled against Lenin that he was not faithful to Marx and Engels. He shows how, while being faithful to the essentials of Marx and Engels' teaching on dialectical materialism, Lenin shifts from *dialectical* materialism

to dialectical *materialism*. During the decades that separated Lenin from his teachers, idealism had reasserted itself and had to be defeated if dialectical and historical materialism had to regain its supremacy in the philosophical world.

Chattopadhyaya exposes another charge levelled against Lenin, namely, that Lenin who in his earlier work *Materialism and Empirio-Criticism* had taken a materialist standpoint went back in his later work, *Philosophical Notebooks*, to Hegelian idealism. As in the case of Marx, the "theory" is propounded that the "older and more mature" Lenin "negated the young Lenin". To substantiate this thesis, Lenin's adversaries quote from *On the Significance of Militant Materialism* by deliberately omitting "those expressions of the passage which are crucial for our understanding of Lenin's actual points". (P 138).

Taking as our basis Marx's method of applying materialistically conceived Hegelian dialectics, we can and should apply this dialectics from all aspects, print in the journal excerpts from Hegel's principal works, interpret them materialistically and comment on them with the help of examples of the way Marx applied dialectics, as well as of examples, of dialectics in the sphere of economic and political relations which recent history, specially modern imperialist war and revolution, provided in unusual abundance. In my opinion the editors and contributors of Pod Znamenem Marksizma should be a kind of "Society of Materialist Friends of Hegelian dialectics". Modern natural scientists (if they know how to seek and if we learn to help them) will find in Hegelian dialectics, materialistically interpreted, a series of answers to the philosophical problems which are being raised by the revolution in natural science and which make the intellectual admirers of bourgeois fashion "stumble" into reaction.² (Emphasized portions omitted by Lenin's adversaries). (Pp 138-139).

Lenin was, in other words, not going back to Hegelian idealism as alleged by his adversaries. He was using, as Marx and Engels did in their day, Hegelian dialectics to substantiate the materialist world outlook.

This reviewer is, however, of the view that Chattopadhyaya does not explain in a sufficiently convincing way as to why Lenin thought it necessary to go to Hegel in his later years. He gives the background of the "massive revival of idealism" as part of the slide-back from Marxism since Marx and Engels passed away, for explaining why Lenin had to write *Materialism and Empirio-Criticism*.

This has not been done in relation to *Philosophical Notebooks*, though the passage quoted above gives enough indications of the reason. More explicit, in the opinion of this reviewer, is the following passage appearing in the preface to the 1961 edition of Lenin's *Collected Works* brought out by the Foreign Languages Publishing House, Moscow:

A large number of the items included in *Philosophical Notebooks* relate to 1914-16. It is no coincidence that Lenin devoted so much attention to philosophy, and above all, to Marxist dialectics, precisely during the First World War, a period in which all the contradictions of capitalism became extremely acute and a revolutionary crisis matured. Only materialist dialectics provided the basis for making a Marxist analysis of the contradictions of imperialism, revealing the imperialist character of First World War, exposing the opportunism and social chauvinism of the leaders of the Second International.

Referring to the other major works of the period, including *Imperialism*, the author of the preface goes on, these "are inseparable from *Philosophical Notebooks*. In the creative elaboration of Marxist philosophy, the Marxist dialectical method and a profound scientific analysis of the new historical period were the basis for Lenin's great discoveries which equipped the proletariat with a new theory of social revolution, *Philosophical Notebooks* is inspired by a creative approach to Marxist philosophy, which is indissolubly bound up with reality, the struggle of the working class and the policy of the party". (P 14).

Lenin could not, unfortunately, conclude but only start his work by way of jotting down some notes for subsequent elaboration. What has been handed over to us, however, is enough to show that, as in *Materialism and Empirio-Criticism*, he was here dealing with philosophical questions as part of the class struggle in the theoretical field. The book that he was to have written, if completed, would have become the coping stone for the edifice that he was building up through his study of political economy, theory of state, the art and science of revolution and so on. As Lenin himself stated elsewhere in connection with Marx, dialectics was for him the method to study the concrete problems of the revolution in the light of development in social and natural sciences, and not an escape from them. Having substantiated his theory of imperialism, war, revolution, and so on, through a wealth of concrete data in *Imperialism, State and Revolution* and so

on, he wanted to check his theories on all these questions by re-reading, assimilating and using the revolutionary tenets of materialistically applied dialectics.

Lenin's perception of the capitalist world in its last legs—the world out of which the Socialist world was emerging—was in short the background against which his philosophical works (both *Materialism and Empirio-Criticism* and *Philosophical Notebooks*) made their appearance. Remove this world outlook and Lenin's philosophy loses its scientific character. This is what happened to Mao Zedong whose dabbling into the theory of contradictions and his anti-Leninist perception of world reality are inseparable from each other. India's Marxist-Leninists—among whom there are sections who look upon “Mao's theory of contradictions” as a development of Marxism—should learn as much from this negative example of distortion of Leninism as from Lenin's outstanding work.

E M S NAMBOODIRIPAD*

- 1 V I Lenin, *Materialism and Empirio-Criticism*, Moscow, Progress Publishers, 1967, pp 318-319.
- 2 Lenin, “On the Significance of Militant Materialism”, in *Collected Works*, Moscow, Progress Publishers, 1966, Vol 33, pp 233-234.

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RENU CHAKRAVARTY, COMMUNISTS IN INDIAN WOMEN'S MOVEMENT, People's Publishing House, New Delhi, pp 227, Rs 12.50.

SINCE the 1970s there has been a steady growth in the number of studies on the social and economic aspects of the situation of women in India. However, it was only during the past two years that the role and participation of women in various movements has become a key question in the analysis of the position of women in India. Initially, the focus was confined to certain social reform movements and to movements led by Gandhi and the Indian National Congress, which had taken up issues such as women's right to property, education, legal status in marriage, suffrage and women's political participation. Although this focus has not changed, more attention is now being directed towards the movements which questioned the social and economic basis of a society founded on inequality and exploitation. A new feature in this debate on the perspective of the movement for women's emancipation is the demand for "autonomous" women's organizations being made by bourgeois "women's rights" groups and many social scientists. It is in this context that the book under review assumes importance.

The 16 chapters cover a broad range of struggles during 1940-1950. These include the anti-imperialist and anti-fascist struggles in Bengal, the anti-feudal Tebhaga peasant movement, the Telengana peasant struggle, the Punnappa-Vayalar struggle against the Travancore princely order, the struggles of working class women, the Warli Adivasi revolt and the campaign on the Hindu Code Bill. The last three chapters deal with communist women's work within the All-India Women's Conference, the formation of the Women's International Democratic Federation and a review of communist women's participation in movements. However, we get a detailed account only of the anti-imperialist and anti-fascist struggles in Bengal, for the author was herself a participant in these.

In 1938, there was a growing mass movement for the release of political prisoners, particularly those kept in the Andamans and Deoli camps. Students were in the forefront of this movement and the All-India Students Federation (AISF), a broad-based students' organization, led it. Although a large number of girls participated in meetings and demonstrations, very few of them were members of the Federation. Backward social ideas and taboos kept girl students away

from the organization whose dominant membership was made up of male students. So, the first *girl students' committee* was set up within the Bengal Provincial Students' Federation (BPSF) with Kanak Dasgupta (now Mukherjee) as its secretary. This committee consisted of girls from the Communist Party, M N Roy's group and from the Soumyen Tagore group, reflecting the different trends within the student movement at that time. The girl students held an all-India meeting in 1940 at Lucknow, the first of its kind. This led to the formation of the Girl Students' Association, after which girl students' committees were formed in parts of Bengal, Bombay and Punjab. At the time of Patna conference of the Students' Federation in 1941, the Girl Students' Association had 50,000 members. Militant members of the Association laid the foundation of the women's movement in Bengal. In October 1942, soon after the legalization of the Communist Party, the Bengal Provincial Women's Front of the Communist Party was formed.

The Japanese attack led to the formation of a broad-based women's organization, the Mahila Atmaraksha Samiti (MARS) in Bengal. *Mahila samitis* (women's groups) which had already sprung up in towns and villages came together to form the MARS. Fighting against tremendous odds in the form of social barriers and anti-communist propaganda, communist women campaigned on the issues of food scarcity, protection from Japanese bombings and the defence of the country. Area *mahila* committees were formed through house-to-house visits and through the staging of dramas, *baithaks* (closed-door group meetings), and *prabhat pheries* (early morning singing groups). The MARS soon became a mass organization of women representing the peasantry, the working class and the middle class. It worked in cooperation with other committees like the People's Relief Committee and the Janaraksha Food Committee. The women's movement, at that time, was thus based on three issues—the defence of the country, the formation of a national government and protection of the people from starvation and death. Added to these were the problems of famine, and communal harmony. The organization was now spread over Barisal, Pabna, Sherpur, Calcutta, Chittagong, Dacca, Rajshahi, Howrah and Sylhet (Assam). Since the communist women were in the forefront, they often faced political attacks and hostility from the AIWC members of the Congress Mahila Sangh.

In September 1942 communist women started famine relief work among the working class and rural poor women in Calcutta, Pabna, Rangpur, Barisal and Dinajpur. This period also saw the first of the marches to the Assembly on the issues of food scarcity and

price rise. Thousands of poor peasant, working class and middle class women participated in these marches. The MARS members worked with medical relief teams, organized gruel kitchens, homes for destitute women, child care centres, handicraft and educational centres. In February-March 1943, about 28 communist women from Calcutta, Barisal, Faridpur, Khulna, Pabna, Dinajpur, Mymensingh, Chittagong, Hooghly, Nadia attended a training camp for activists. They discussed the attitude of the communists towards the fascist war, united action for building a national government, the women's movement and its links with students and workers. It was noted at this camp that only 140 of the 5000 MARS members were communists and that therefore there was a need to increase their membership.

Following the declaration of independence, the character of the MARS changed. In May 1948, the MARS organized a large procession of women to the Writer's Building demanding the release of political prisoners, including communists, held without trial. This was severely attacked by the police. The MARS was banned and so was its journal, *Gharey Baire*. On 27 April 1949, four activists of MARS were killed in a police firing during a meeting demanding the release of political prisoners. In spite of such repression, the fifth conference of MARS was held in November 1949. The main message of the conference was that the social and economic structure of society must change if women were to be emancipated. From all this it is obvious that communist women were able to give a direction to the women's movement in Bengal.

Peasant Struggles

The chapter on the Tebhaga peasant struggles provides information taken from the collection of writings on Tebhaga brought out by the Communist Party of India (CPI) on the occasion of the 30th anniversary of the movement. On Telengana, P Sundarayya's book is quoted. The relationship of the Andhra Mahila Sangham with the Communist Party is not dealt with although we do get information about the political education camp for women activists organized by the Communist Party in 1937-1938 in Kothapalam and Mantanavaripalam. Wives and sisters of Communist Party members attended the classes. In Krishna district, wives and daughters of peasants began to be organized in a mass women's organization. Initially 6000 working class women from 124 local unions were drawn into this. Two training classes for organizers were held in Vijayawada in April 1943. The classes gave elementary lessons on disciplined group work, maternity and child care, health, sanitation, self-defence, economics

and politics, geography, organization of the women's movement, public speaking. Four provincial training camps for women organizers were held in September 1943. By April 1944, the Andhra Mahila Sangham had 20,000 members with a majority of peasant women. In Andhra, the AIWC kept away from the Andhra Mahila Sangham on the charge that it was led by communist women.

The section on the struggle of Warli Adivasis largely contains quotations from Godavari Parulekar's book *Adivasi Revolt*.

Communist women activists participated in working class struggles in the South Indian Railway, Coimbatore textile mills and in jute mills in 1946-1947, on the issues of dismissal of workers, eight-hour work day, victimization, and so on. Apart from these struggles, communist women participated in campaigns on the legal status of women—especially the Hindu Code Bill. Although communist women believed in one uniform civil code, its need was not felt by women in general and therefore it was decided that reform in legal status would be the first step towards such a goal. In Bengal, the MARS and AIWC unitedly campaigned on this issue. In Andhra, the Mahila Sangham launched a signature campaign on the issue along with the Kisan Sabha, the Youth League, bar associations, student organizations. In Punjab, the Women's Self-Defence League organized cultural squads on the Bill and the issues involved in it.

Although the author appreciatively writes about the work carried on by communist women within the reformist All India Women's Conference in Bengal, Punjab, Uttar Pradesh, and its contributions in giving a mass character to the women's movement, she seems to identify united activity with the merger of organizations. Throughout the book, this confusion is obvious.

Written in a simple style, this book is for popular reading. For those wanting a deeper insight into the experience of the women's movement in India, the book provides information on women's groups and organizations, journals and names of women activists which could be used for further enquiry. However, for a movement that is so little documented, this book definitely makes a break.

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Social Scientist

CAPITALIST CRISIS

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1982

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The General Crisis of Capitalism □
Economic Crisis of World Capitalism □
General Crisis: A Comment □ Reply
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— A DISCUSSION

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Articles and review express the views of the authors and not necessarily of the editors or of the Indian School of Social Sciences.

Editorial Note

A K G CENTRE for Research and Studies had organized a two-day seminar on 20-21 March 1982 at Trivandrum on "World Capitalist Crisis and Revolutionary Perspectives". At the first session of the seminar, E M S Namboodiripad had presented the key-note paper on "General Crisis of Capitalism" and Prabhat Patnaik a theme paper on the current "Economic Crisis of World Capitalism". K N Raj, the eminent economist, had initiated the discussion by presenting in a written form a number of comments on Namboodiripad's paper. Raj's comments, containing several important points critical of what he called "traditional" Marxist positions, had aroused a lively debate, replied to at the end by the two speakers. We think that this debate would be of interest to the readers of *Social Scientist*. So we are publishing in this issue the two papers together with Raj's comments and the replies. We are grateful to the authors as well as to the organizers of the seminar for giving us the permission to do so.

As the readers would see, the issues raised were so wide-ranging and so basic that the participants, operating under the usual constraints of space and time, could not possibly deal with them with anything like the degree of exhaustiveness they deserve. The important thing however is that these issues were raised at the seminar and are being raised before the readers of *Social Scientist*. This seminar perhaps for the first time brought about such an open clash of ideas that these issues need to be discussed and debated further. We would like to throw open the pages of this journal for carrying forward such a discussion. We invite our readers to participate in this discussion; a clash of ideas of this kind cannot but be productive, at the very least in defining more precisely the nature of the differences.

General Crisis of Capitalism

THE general crisis of capitalism as known to Marxism-Leninism is a phase in the history of developing capitalism in which the crisis is no more confined to the economy but embraces politics, ideology and all other aspects of social life. It would be useful to study these different aspects separately. This, however, would be incomplete unless the totality of the crisis is studied, an attempt at which is made in this paper.

A Crack in the Capitalist System

The beginnings of this phase in the development of capitalism go back to the years of the First World War which marked not only the defeat of one imperialist grouping at the hands of the other but also the beginning of the end of capitalism.

The October Revolution in Russia is of historic significance in that, for the first time in the history of humanity, the working class in one country, together with its major ally, the peasantry, took hold of the state machinery. That was the beginning of the break-up of the capitalist system, the appearance of a crack in the system as a whole. The capitalist powers who were fighting against each other in the war saw the danger that this constituted for the continued existence of their system and therefore joined hands to throttle the young Socialist Republic.

The battle for survival waged by the Socialist Republic, however, released such gigantic new forces throughout the world as to bring, within less than three decades, the whole of eastern Europe into the new system. Large parts of Asia, including the most populous country in the world—China—also dropped from the capitalist system in a few years' time. Ever since then, the world has remained divided between a capitalist and a socialist part, the latter growing ever more and more, the crack within the former becoming wider and wider.

The general crisis, as it advanced steadily from decade to decade, radically changed the political map of the world. In 1919, socialism prevailed in 16 per cent of the world's area and

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embraced 7.8 per cent of the world's population. By 1964, socialist countries occupied 26 per cent of the area and 34.6 per cent of the world's population. On the other hand, the big imperialist powers (the USA, Britain, the Federal Republic of Germany, France, Japan, Italy) and their colonies covered in 1919, 44.5 per cent of the world's area and 48.1 per cent of the world's population. By 1964, the figures fell to 10.6 per cent and 16.2 per cent respectively. In 1919, all the colonies, semi-colonies and dominions of imperialist powers covered as much as 77.2 per cent of the world with 69.2 per cent of its population. By 1964, the figures were reduced to 6.8 per cent and 1.4 per cent respectively. The colonial and semi-colonial countries who had gained independence since 1919 (excluding the socialist countries) occupied 56 per cent of the world's surface and embraced 42.6 per cent of its population in 1964.

Humanity's Transition to Socialism

These changes in the political map of the world underline the reality that humanity is in the process of transition from capitalism to socialism. This, of course, is by no means a smooth process. It is accompanied by ferocious armed conflicts — global or local wars, revolutions, *coups de etat*, economic and trade wars, aggressive moves and resistance to them in the socio-cultural fields, and so on. But the forces of revolution headed by the working class in separate countries as well as in the world as a whole are powerful enough to beat back the offensive of the enemy and win victory, though they may have to retreat here or there, on this or that occasion.

Hence the steady shrinking of the capitalist part of the world, widening of the area and strengthening of the new system in the socialist part.

Together with this change in the correlation of forces between the capitalist and socialist parts of the world are the militant struggles of the working class in one capitalist country after another which further undermine the capitalist system.

Furthermore, victorious national liberation wars as well as counter-revolutionary attacks on the newly-established democratic regimes have become characteristic of most of the countries of the Third World.

Above all, there is the resistance offered by governments of some imperialist countries, as well as by influential circles in the United States of America itself, which bars the path of the most reactionary ruling circles in the capitalist world.

We propose to give in this paper a brief description of how the general crisis that emerged during the First World War was a logical development of the crisis inherent in capitalist society from its very beginning. We will draw a distinction between the *periodical crises* or *commercial crises* which began breaking out at the very inception

of capitalism and the general crisis which has been continuing now for six decades. We will finally explain the way in which the new socialist system, which is not crisis-ridden as capitalism is, also comes up against particular difficulties when the laws of socialist development are violated — difficulties which are characterized by bourgeois ideologues as indicating that socialism is as crisis-ridden as capitalism.

Manifesto and Capital on Crisis

Let us begin with the description of *commercial crises* given by Marx and Engels in the *Manifesto of the Communist Party*:

The commercial crises...by their periodical return put on its trial, each time more threateningly, the existence of the entire bourgeois society. In these crises a great part not only of the existing products, but also of the previously created productive forces, are periodically destroyed. In these crises there breaks out an epidemic that, in all earlier epochs, would have seemed an absurdity — the epidemic of over-production. Society suddenly finds itself put back into a state of momentary barbarism; it appears as if a famine, a(n) universal war of devastation had cut off the supply of every means of subsistence; industry and commerce seem to be destroyed; and why? Because there is too much civilisation, too much means of subsistence, too much industry, too much commerce. The productive forces at the disposal of society no longer tend to further the development of the conditions of bourgeois property; on the contrary, they have become too powerful for these conditions, by which they are fettered, and so soon as they overcome these fetters, they bring disorder into the whole of the bourgeois society, endanger the existence of bourgeois property. *The conditions of bourgeois society are too narrow to comprise the wealth created by them. And how does the bourgeoisie get over these crises? On the one hand, by enforced destruction of a mass of productive forces; on the other, by the conquest of new markets, and by the more thorough exploitation of the old ones. That is to say, by paving the way for more extensive and more destructive crises, and by diminishing the means whereby crises are prevented.*¹

The process briefly described above was subjected to detailed study by Marx in his classical work *Capital*. It was pointed out there that crisis is inherent in the most miniscule unit of capitalist economy — the commodity — the study of which is the subject matter of the first few chapters of *Capital*, Volume 1. Unravelling the laws of commodity, value, labour power as commodity, production of surplus value, and so on, in the first volume and describing the process of circulation of capital in the second, Marx examines the

process of capitalist production as a whole in the third volume. It is here that he explains the laws governing profit, cost price, the relation of rate of profit to rate of surplus value, and so on, and arrives at the *law of the tendency of the rate of profit to fall*, together with the *counter-acting influences and the internal contradictions of the law*.

The study of the entire book in three volumes, together with the commentaries by other Marxists, would convince any student of political economy that capitalism cannot go forward without going through successive periodical or cyclical crises. The methods used to solve one crisis lay the basis for another crisis whose overcoming leads to the outbreak of still another crisis, so on and so forth.

Development through successive periodical crises, each more serious than the previous one, is, in other words, the law of capitalism out of which arises the inevitability of socialism replacing capitalism.

The Working Class — Capitalism's Grave-digger

Marx and Engels, however, did not confine themselves to drawing attention to the recurring cyclical crises steadily leading to its inevitable destruction. They also pointed out the active force which arises within the womb of capitalism but which is sure to destroy it. To quote the *Communist Manifesto* again:

Not only has the bourgeoisie forged the weapons that bring death to itself; it has also called into existence the men who are to wield those weapons—the modern working class—the proletarians.

In proportion as the bourgeoisie, i. e., capital, is developed, in the same proportion is the proletariat, the modern working class, developed — a class of labourers, who live only so long as they find work and who find work only so long as their labour increases capital. These labourers, who must sell themselves piecemeal, are a commodity, like every other article of commerce, and are consequently exposed to all the vicissitudes of competition, to all the fluctuations of the market. ...

With the development of industry the proletariat not only increases in number; it becomes concentrated in greater masses, its strength grows and it feels that strength more. ... The workers begin to form combinations (Trades' Unions) against the bourgeois; they club together in order to keep up the rate of wages; they found permanent associations in order to make provision beforehand for these occasional revolts. Here and there the contest breaks out into riots.

Now and then the workers are victorious, but only for a time. The real fruit of their battle lies not in the immediate result, but in the ever-expanding union of the workers. This union is helped on by the

improved means of communication that are created by modern industry and that place the workers of different localities in contact with one another. It was just this contact that was needed to centralise the numerous local struggles, all of the same character, into one national struggle between classes. But every class struggle is a *political struggle*. And that union, to attain which the burghers of the Middle Ages, with their miserable highways, required centuries, the modern proletarians, thanks to railways, achieve in a few years.²

The founders of historical materialism not only arrived at the truth concerning the inevitability of the fall of capitalism and the role of the modern proletariat as the revolutionary force which would act as the midwife of the new socialist society, but also dedicated themselves for the rest of their lives to help the young proletariat, in individual countries as well as on a world scale, to organize itself as a class and lead the struggle for the transition from capitalism to socialism. The *Manifesto of the Communist Party* which they drew up was the clarion call which began with "A spectre is haunting Europe—the spectre of Communism" and ended with "Let the ruling class tremble at the Communistic revolution. The proletarians have nothing to lose but their chains. They have a world to win. Working men of all countries, unite!"

The organization of the Communist League; the First International in whose ranks the two comrades conducted a bitter ideological and organizational battle; the dissolution of that International when it became outmoded; the founding of the Second International; the practical guidance given to working class parties and revolutionaries in individual countries during the rest of their life—these constitute the 35 years of the life of Marx after the publication of the *Manifesto* and another 12 years of Engels's life.

It was in the course of this arduous struggle for welding the world working class into an organized revolutionary force that the two revolutionaries gave humanity such outstanding works as the *Capital*, *Anti-Duhring*, *Dialectics of Nature*, *Origin of Family* and a large number of long and short historical, socio-cultural and other works. The totality of these revolutionary political and literary activities of the founders constitute Marxism.

Engels's Prophecy

It may be interesting to note that, in the preface to the English edition of *Capital* written on 5 November 1886, Engels had drawn attention to certain trends in the capitalist society as it was working in England:

The time is rapidly approaching when a thorough examination of

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England's economic position will impose itself as an irresistible national necessity. The working of the industrial system of this country, impossible without a constant and rapid extension of production, and therefore of markets, is coming to a dead stop. Free trade has exhausted its resources; even Manchester doubts this its quondam economic gospel. Foreign industry, rapidly developing, stares English production everywhere, not only in protected but also in neutral markets, and even on this side of the channel. *While the productive power increases in a geometric, the extension of markets proceeds at best in an arithmetic ratio. The decennial cycle of stagnation, prosperity, over-production and crisis, ever recurrent from 1825 to 1867, seems indeed to have run its course; but only to land us in the slough of despond of a permanent and chronic depression.* The sighed-for period of prosperity will not come; as often as we seem to perceive its heralding symptoms, so often do they again vanish into air. Meanwhile, each succeeding winter brings up afresh the great question "what to do with the unemployed"; but while the number of unemployed keeps swelling from year to year, there is nobody to answer that question; and we can almost calculate the moment when the unemployed losing patience will take their own fate into their own hands.³

Things, of course, did not happen exactly as Engels foresaw. The bourgeoisie found ways and means of preventing "the working of the industrial system coming to a dead stop". The decennial cycle that began in 1825 got woven into the chronic crisis which in its latest form is called *stagflation*. "Stagnation, prosperity, overproduction, crisis" is today a cycle within the chronic crisis. As for the unemployed, their revolt is being integrated into, made an inseparable part of the militant struggles of the working class. Engels, however, was correct in foreseeing big changes taking place; capitalism, even in the then most developed capitalist country, England, had entered a phase of the chronic crisis of its economy and politics.

It was left to Lenin, the close student of Marx and Engels, to take the thread—the study of capitalism—from where his teachers had left. After Marx's *Capital*, Lenin's *Imperialism* was a master-piece of Marxist scholarship in the analysis of political economy at a stage in the development of capitalism when the original competitive capitalism (analysed by Marx in *Capital*) had been turned into *monopoly capitalism*.

It would, however, be doing violence to Lenin and his teachings if one were to consider this work to be nothing but a scholarly treatise on political economy. As in Marx who produced *Capital*, and earlier to it jointly with Engels the *Communist Manifesto*, so in Lenin too, the erudite scholar combined in himself the active revolutionary. All the three—Marx, Engels and Lenin—used their erudition to substantiate

their call for revolutionary action. As Marx had said in his classical thesis, the philosophers have not only to *interpret* but have to *change* the world.

The essence of Lenin's teaching on *imperialism* is briefly spelt out in his preface to the French and German editions:

Capitalism has grown into a world system of colonial oppression and of the financial strangulation of the overwhelming majority of the population of the world by a handful of "advanced" countries. And this "booty" is shared between two or three powerful world plunderers armed to the teeth (America, Great Britain, Japan) who are drawing the whole world into *their* war over the division of *their* booty. ... Out of the universal ruin caused by the war a worldwide revolutionary crisis is arising which, however prolonged and arduous its stages may be, cannot end otherwise than in a proletarian revolution and its victory.⁴

The preface written in July 1920 concludes: "Imperialism is the eve of the social revolution of the proletariat. This has been confirmed since 1917 on a world scale."⁵

This, in fact, is the carrying forward and creative development of the doctrine first elaborated by Marx and Engels almost 70 years earlier. While the study of *Imperialism* makes it obligatory for the student to have an understanding of *Capital*, the study of the latter will be incomplete unless it is supplemented by the study of *Imperialism*.

Marx and Engels pursued their activities in the pre-revolutionary period (we have the proletarian revolution in mind), when developed imperialism did not yet exist, in the period of proletarians' preparations for revolution, in the period when proletarian revolution was not yet an immediate practical inevitability. But Lenin, the disciple of Marx and Engels, pursued his activities in the period of developed imperialism, in the period of unfolding proletarian revolution, when the proletarian revolution had already triumphed in one country, had smashed bourgeois democracy and had ushered in the era of proletarian democracy, the era of the Soviets.⁶

Stalin, therefore, defined Leninism as "the further development of Marxism", as "Marxism of the era of imperialism and the proletarian revolution".⁷

General Crisis—The Beginning

The transformation of capitalism in its competitive phase into monopoly capitalism, which led to wars and revolutions, is thus the precursor of the outbreak of the *general crisis*. It goes to the credit

of Lenin that not only did he theoretically substantiate the thesis that imperialism is the eve of the social revolution but that he organized the struggle for preparing the revolution—in his own country as well as in the rest of the world.

The struggle that Lenin waged within the Russian Social Democratic Party and in the Second International was the ideological and organizational preparation for the completion of the bourgeois democratic revolution in Russia and its development into the socialist revolution, for the mobilization behind the world proletariat of the freedom struggles of the peoples in the colonial world and for thus integrating the socialist revolutions in capitalist countries with the national liberation movements in the backward or underdeveloped countries. He, with a band of devoted revolutionaries, in his own country and in several other countries, made it possible to wage a successful struggle against social chauvinism during the First World War and to unleash the struggle to “transform the imperialist war into a civil war”.

The victorious Russian Revolution of 1917, the German and other European revolutions following it and the revolutionary outbreaks in a number of European and Asian countries, together with the consolidation of the anti-chauvinist revolutionary forces into the Third (Communist) International are the lasting contributions of Lenin and his comrades. It is then onwards that the *general crisis* of capitalism opens, the world is divided into two—the capitalist and the socialist.

Three Stages

The *general crisis* which opened during the First World War has since then passed through three stages.

The first stage embraced the period from the beginning of the general crisis to the Second World War. During this period, the newly-emerging mighty imperialist power, the United States of America, refused to recognize the very existence of the new socialist state for over a decade. Its leaders, together with the leaders of other imperialist powers, propped up the most reactionary circles in all capitalist countries, instigating them to go to war against the Soviet Union. Thus did fascism arise in Italy, Germany and a number of other European countries. Together with militarist Japan, they formed an anti-Soviet axis.

However, the American, the British and other imperialist powers themselves felt threatened by the rising forces of fascism and war, and they were therefore compelled to form a united front with the Soviet Union after the outbreak of the Second World War. The result was that not only was the most reactionary group of imperialist powers defeated in war but the area of operations of the socialist system expanded.

This, therefore, was the beginning of the second stage of the general crisis which resulted in the formation of a socialist camp embracing a number of European and Asian countries which, during the inter-war years, were part of the capitalist world.

The formation of the socialist camp comprising several countries, together with other changes in the political scene, led to the beginning of the third stage of the general crisis, marked, above all, by the virtual end of the colonial system, the drawing together of the former colonies and semi-colonies into the present-day Third (or non-aligned) World which has become, more or less, allied to the socialist camp. The ruling circles in many of the Third World countries are of course vacillating in the anti-imperialist struggle. Some of them are in fact closely allied to the imperialist powers. Their resistance to imperialism, even with these limitations, however, is a positive factor in the present-day world politics.

The emergence of socialism, at first in one country, then in a group of countries which constitute the socialist camp, and the virtual end of the colonial system are thus the main features of the general crisis in its three successive stages of development. As a result of the developing crisis, capitalism has been getting weakened and socialism strengthened economically, militarily, politically, ideologically and in respect to all other aspects of social life.

Meaning of "Reaganomics"

The economic weakness of capitalism today is evident above all in what is known in economic literature as *stagflation*—the state of capitalist economy in which depression or *stagnation* is combined with *inflation*. This was unimaginable in the early phase of capitalism analysed by Marx in *Capital*.

As opposed to the successive phases of stagnation, prosperity, overproduction and crisis, which comes one after the other in a cycle as in the early years of capitalism, a permanent crisis has set in with unemployment, shrinkage of the market, and so on, which go hand in hand with monetary, price and other forms of inflation. Instead of one or the other of the two sets of crisis phenomena which used to appear earlier, both affect present-day capitalist society simultaneously.

Within this framework of stagflation, of course, the cycle goes on, recession alternating with acute inflation. Each cycle, however, is more painful, more protracted, the recovery and prosperity being incomplete, with continuing elements of depression.

The dilemma arising out of this situation and faced by every country in the capitalist world—developed as well as "developing"—is seen in the fiasco of "Reaganomics" now in operation in the United States, the most powerful developed capitalist country, as also in the crisis of planning in such a "developing" country as India. The managers of the economy in both sets of countries have to choose

between two evils—either unemployment, slower rates of production, shrinkage of the market, and so on, or monetary and price inflation leading to deficit budgets, unfavourable balance of trade and payment, and so on. The sufferers in either case are not only the working people but the entire economy of the nation concerned.

The way out of this dilemma sought by the developed capitalist economies is the militarization of their respective economies.

This helped monopoly capitalism to stave off the world crisis of 1929-1933. Fascism in Italy and Germany and militarism in Japan arose at that stage and posed a serious threat to the entire humanity. But they were helped by imperialist powers to grow at the expense of the then single country of socialism, the Soviet Union.

As Stalin pointed out in his pronouncements in the latter half of the 1930s, the recovery from the 1929-1933 crisis was faster in the countries which were preparing themselves for an attack on the Soviet Union than in countries which preserved a facade of bourgeois democracy. In the post-Second World War period too, the most powerful capitalist country in the world, the United States, and its West European and Japanese allies depend on the production and sale of armaments as a solution for the shrinking size of the market for the products of non-military sectors of the economy as well for intimidating all countries of the world. Bourgeois economic literature has coined the term "military industrial complex" whose domination is admitted by the main distinguishing feature of the economic and political situation in the present-day capitalist world.

This, however, is proving counter-productive. Militarization of the economy is leading to the deficit budgets, increasing unemployment, reduced purchasing power, shrinking markets for the products of the civilian sectors of the economy, and so on. Such a disruption of the national economy further accentuates social tensions, bringing the toiling millions into militant actions against the policies of the ruling classes. Within the ruling circles too, doubts arise whether such policies help stability or destabilization.

Massive demonstrations by the working people and open expression of differences by the close associates of President Reagan—both directed against government policies—are leading the economy and policy of the United States towards a veritable crisis. Foreign and defence policies are at loggerheads with each other and both come into conflict with the financial, agricultural and other aspects of the economic policy.

The relations between the United States and its military allies of western Europe and Japan are also in a state of disarray. Most of the members of the NATO military alliance refuse, in varying degrees, to fall in line with the United States in its adventurist moves in Europe, West Asia and the Far East. Internally, in most of these countries too, powerful mass discontent is developing, the people

making insistent demands that the policies of the respective governments be reversed in favour of peace and the reconstruction of the national economy.

National Liberation Movement Today

An equally important feature of the world situation today is that the former colonies, semi-colonies and dependent countries have become free and are trying to break themselves loose from the iron grip of world capitalism. A section of them, headed by the most populous country in the world, China, has opted for the socialist path. Others too are taking a relatively independent position on economic as well as political issues, thus weakening imperialism on a world scale. On a number of global political issues such as the Israeli aggression in West Asia, racism in the southern region of Africa, the conflict between imperialism and the Third World countries, and so on, the socialist and non-socialist countries of the Third World are uniting themselves to isolate the developed capitalist countries in the United Nations.

This stands in marked contrast to the global politics of the inter-war years when imperialism was able to dominate the League of Nations and use it as its instrument against the then single country of socialism, the Union of Soviet Socialist Republics (USSR). This in fact was how the League of Nations was used in the pre-Second World War years for helping the fascist powers in their aggressive moves. At the end of the war, imperialism did so plan the formation of the United Nations as to make it a replica of the League of Nations. However, the entry of a large number of countries which were under the colonial subjection earlier but who have now become politically free and entitled to become members of the United Nations, has entirely changed the balance of forces in the world body. So has the entry of two socialist powers — the USSR and China — into the Security Council which makes them equal to the imperialist powers in providing leadership to the working of the United Nations.

Growth of Socialist Countries

The most important fact which has led to the weakening of capitalism, however, is the growing strength of the USSR and other socialist powers in the economic, military and political sense of the term. What was called in the 1930s the "Russian miracle" — the gigantic rate of the speedy transformation of a backward country into a developed socialist state — helped the USSR to inflict the most crushing defeat on the mightiest military power in world history. This made the first socialist country in the world equal to the mightiest capitalist country in the world — a country which is more powerful than any other capitalist country except the United States.

Allied to a large number of socialist countries and having

varying degrees of cooperation with the different countries of the Third World, the Soviet Union is today considered one of the two "super-powers" in the world. This is a far cry from the difficult years after the revolution when the then young and only socialist state had to fight with its back to the wall for survival.

The economic, military, political and cultural development of the other countries that followed the Soviet Union at the end of the war and in the following years shows that what happened during the inter-war years was not an allegedly Russian miracle but the true picture of socialism as it advances.

It should be noted that every country belonging to the present-day socialist world — including the formerly Tsar-ruled Russia — was backward economically, culturally and politically in comparison to the West European and other developed countries of the capitalist world. Every one of them, however, was able, after the socialist revolution, to overtake a comparable country in the capitalist world — pre-revolutionary Russia in comparison to western European countries; People's China to bourgeois-ruled India, and similarly North Korea in comparison to others. Such countries as have taken their economies and politics along the capitalist path and allied themselves politically and economically with the capitalist world lag behind those that have brought about radical transformations in their internal economy and polity and externally freed themselves from the world capitalist grip. Superiority of socialism over capitalism is thus becoming clearer and clearer to all unbiased observers of the world political scene.

Difficulties in Socialist World

By drawing attention to this central feature of the world political scene, we do not wish to gloss over the weaknesses and difficulties faced by the countries of the socialist world. Socialist construction is by no means easy or smooth. Taking over of the state apparatus by the working class is only the beginning, not the end, of the socialist revolution. Reorganizing the entire economy, restructuring the political-administrative apparatus, modernizing and proletarianizing the educational and cultural life of the people and, above all, reshaping the human personality involved in social construction—these are the tasks which require a concerted offensive against the heritages of the past handed down from class society. They require the conscious struggle waged by the state and party leadership of the socialist country concerned against the bourgeois ideology, bourgeois way of life, and so on, which come from the capitalist world and make themselves felt in socialist society. It will be naive to imagine that in a world still dominated by capitalism, the state and party leaders in socialist countries can be safeguarded from the penetration of bourgeois ideology and politics:

Nowhere is this illustrated more graphically than in the recent developments in Poland. Poland of 1980-1981, however, does not stand alone, and was preceded by the turmoil in China. Even earlier, Czechoslovakia in 1968, Hungary and Poland in 1956, showed that socialist development has its own problems which, if not solved in time, can lead to crisis situations.

In the Soviet Union too, there were large numbers of serious problems not only in its earlier years but after the socialist system consolidated itself. The collectivization of agriculture, the rapid industrialization of the economy, the revolutionary changes in the cultural life of the country, and so on, enabled the Soviet leadership to shape the powerful Red Army and defeat the Nazi hordes. However, the emergence of what was called the personality cult of Stalin, the manner in which the cult was fought in the Krushchov years and subsequent developments illustrate the central lesson of Marxism-Leninism that the victorious party of the working class has to be vigilant against deviations of various kinds.

Laws of Socialist Development

The experience of the struggle against these deviations waged during the six-and-a-half decades after the Russian Revolution makes it possible for us to come to one conclusion: there are certain definite laws of socialist development whose violation can lead to distortions in the economy and polity of socialist society. Violation of any one of these laws — more than one of them in some cases — can lead and has led to crisis situations in one or another socialist country on one or another occasion. These laws may now be summarized.

Firstly, *the socialist world is not an island* in the ocean of humanity. It *co-exists with the capitalist world*. While it is possible for socialism to exert its influence on the capitalist world, it in its turn faces the danger of penetration of the influence of the capitalist world.

The present-day crisis of the economy in the capitalist world, for instance, has its impact on the socialist world. Inflation in the capitalist world cannot but affect the socialist world, though socialist planning can reduce its impact to a far greater extent than on a country belonging to the capitalist world. On the other hand, the existence of an expanding, prosperous socialist world offers a cushion to the capitalist world in that the expanding socialist market can absorb part of the surplus product and provide employment to the surplus labour population in capitalist countries. This will help the radical forces in the capitalist countries to fight the militarization of the economy, fight for an anti-monopoly turn in government policy, provided the working class and its party consciously plan their action.

On the other hand, every action taken by the socialist countries in this direction may help the "military industrial complex" to

launch an offensive against the socialist world unless the state and party leadership of socialist countries is ever vigilant. This vigilance, combined with beneficial business cooperation with capitalist countries, is a complicated process the lessons of which have to be mastered by the leadership of every socialist country. Different perceptions of this process among different segments of the socialist world, among different contingents of the world communist movement, naturally lead and have led to conflicts.

Secondly, *economic planning should proceed on the well-tested principle of balanced and proportionate development* which should give proper place to heavy and light industry, industry and agriculture, town and country, accumulation and consumption, material and cultural life, and so on. Any upsetting of the balancing and proportion would create problems and develop into a crisis. So too, should be observed the proper balance between the absorption of the highly developed technology and investment capital available in capitalist countries and the need for self-reliance in the socialist economy. Upsetting of this balance too can create problems.

Thirdly, the *long-term perspective* that guides the programme of socialist development should be based on the *step by step nationalization, collectivization and social control of all the means and instruments of production, including land*. While artificial, mechanical and bureaucratic methods of bringing about the requisite changes in property relations will set substantial sections of the working people against the state and party leadership and should, therefore, be avoided, the leadership should have a clear idea, and should work out a well-planned scheme of carrying out this essential economic measure, without which there cannot be any socialist planning.

Fourthly, the state and party leadership should never neglect *the supreme task of fighting the evil influences of alien class ideology* which appears in various manifestations, including *the iron grip of religion on the minds of the people*. While the clergymen of any religious group, particularly those who belong to the lower and middle orders of the hierarchy, can and are likely to join the revolutionary forces in the struggle for socialist construction and while, therefore, the state and party leadership should guard against any sectarian approach to the religious institutions, they should be vigilant against the efforts made by the clergy to keep the masses under their sway and use them against socialist construction. The more than six decades of the experience of socialist construction show that deviations of both types are likely and should be combated.

Above all, socialist construction is impossible unless the party *of the working class plays its leading role* and observes *the principles of democratic centralism*. The leading role of the party over the people means that the party is *with the people at large but ahead of them*. Getting isolated from them and giving "leadership" from this position

of isolation, which amounts to bureaucratism; trailing behind the backward sections of the masses, or the party—going down to the level of the consciousness of the masses, rather than raising them to the higher level of consciousness—these are the two deviations both of which would lead to disastrous consequences.

Distortion and Crisis

Distortions in respect of any one or more of these laws of socialist development have created situations in socialist countries which have emboldened bourgeois ideologues to assert that socialism is as crisis-ridden as capitalism. They, however, conveniently forget, or deliberately try to make the people forget, that crisis situations arise under socialism when one or more laws of socialist development are violated.

In Poland, for instance, at least four of the above laws were violated—balanced and proportionate development of the economy, nationalization of land, struggle against alien class (Catholic) ideology and the leading role of the party. The state and party leadership in the country is now engaged in the task of overcoming these distortions and restoring socialist development as it should be observed.

Under capitalism, however, crisis erupts not when its laws of development are violated but when they are observed. Marx had irrefutably proved that cyclical crises are the result of the working of the laws of capitalist development. Engels based himself on this and developed it to forecast the movement of capitalism towards an unprecedented crisis. Lenin took the teachings of Marx and Engels still further forward and came to the conclusion that capitalism in its monopoly stage cannot live without setting one country against another in the interests of the ruling circles in the metropolitan countries for a re-division of their colonies. Post-Lenin Marxists have proved that monopoly capitalism has transformed itself into state monopoly capitalism which threatens world peace as well as the freedom and sovereignty of all countries, including the most developed capitalist countries.

Capitalism—War, Socialism—Peace

The deepening of the general crisis of capitalism has shown the contrast between the world of capitalism and the world of socialism. The former is crisis-ridden in the sense that its *normal* working, that is, working in accordance with its laws of development, takes the economy forward through repeated cyclical crises which have now developed into a state of affairs in which recession, depression, unemployment, and so on, can be countered only by inflation, high prices, unbalanced national budgets and international balance of trade payments, and so on, while the latter can be combated only by the former. The choice before humanity under capitalism lies between

these two evils.

Socialism, on the other hand, is crisis-free, provided—and only provided—the laws of socialist development are strictly observed. Ever-expanding production of goods and services for satisfying the ever-rising standards of material and spiritual life of the people is the basic law of socialism to which are subordinated the above-mentioned laws of balanced and proportionate development, and so on. Only when these laws of socialist development are violated is there a temporary crisis under socialism.

Arising out of this fundamental contrast in respect of the character of the economy within the two systems is another—the contrast between the peace-loving socialist world and the aggressive “military industrial complex” in the capitalist world. The latter cannot thrive unless they find markets for the arms produced in their countries which give maximum profit to them. The ruling classes therefore adopt the policy of preparing for waging a war in order to preserve the system, to maintain the profit of monopolies. Dismantling the “military industrial complex” would lead to the still further shrinking of an already shrunken market in the crisis-ridden capitalist world.

Socialism, on the other hand, stands to benefit by *detente* and peace. Defence preparedness which is imposed on it by aggressive capitalism, obliges the diversion of valuable capital from civilian to military production. This in its turn reduces the capacity of the socialist state and society to discharge their task of constantly raising the level of the material and spiritual life of the people. The socialist world, in other words, stands to gain by *detente*.

For the underdeveloped countries of the capitalist world, the question of war and peace is more complicated. The common people in these countries benefit from the preservation of peace since it would release valuable resources in the developed capitalist countries for use in developing their economies. The ruling classes in these countries, however, are tied by so many strings to the regimes in the capitalist world and with their multinationals that they bind themselves and their countries to the capitalist world.

Sections of these very ruling classes, however, are threatened by the many-sided offensive launched by foreign capital which they are forced to resist, in however halting and vacillating a fashion. It is thus a question of push and pull between the basic interests of the nation, particularly the interests of the mass of the working people, and the narrow self-interest of the ruling circles.

Such a conflict of interests exists also in the developed capitalist countries—between the interests of the bulk of the working people, together with a section of the ruling circles themselves, and the most reactionary sections of the ruling classes. The former are interested in the preservation of peace, cooperation with the socialist world, rendering help to the underdeveloped countries rapidly to overcome

their state of underdevelopment, and so on. The latter, on the other hand, are interested in further strengthening the bonds of cooperation and unity with the most rabid organizers of aggression and war, even while trying to defend their class interests against imperialist assaults in cooperation with the fighting people.

We are, therefore, in a situation in which the struggles for peace in the world, for the rapid development of the underdeveloped countries, for basic socialist transformations in the developed capitalist countries and for the rapid completion of the process of humanity's transition from capitalism to socialism—all these are interconnected. They merge into the struggle against the "military industrial complex" that has come into existence in the capitalist world.

- 1 Marx and Engels, *Manifesto of the Communist Party*, Moscow, Progress Publishers, 1973, pp 49-50. Emphasis added.
- 2 *Ibid*, pp 51, 54-55. emphasis added.
- 3 Karl Marx, *Capital*, Moscow, Foreign Languages Publishing House, Vol 1, p 6.
- 4 V I Lenin, *Collected Works*, Progress Publishers, 1964, Vol 22, p 191.
- 5 *Ibid*, p 194.
- 6 J V Stalin, *Works*, Foreign Languages Publishing House, 1953, Vol 6, p 73.
- 7 *Ibid*.

On the Economic Crisis of World Capitalism

THE all-embracing and protracted crisis into which world capitalism sank in the 1970s is manifested, first of all, in the frequency, intensity and synchronization of the cyclical overproduction crises in the advanced capitalist countries. In the last decade alone, three such cyclical overproduction crises hit the major capitalist economies, in 1969-1970, in 1973-1975 and in 1979-1980, the last of which is still continuing with no recovery in sight. These crises, moreover, have affected all advanced capitalist economies at more or less the same time. The last synchronized overproduction crisis afflicting the capitalist world was in 1957-1958. In the 1960s different countries experienced recessions at different times, the United States of America in 1960-1961, France in 1964-1965, Federal Republic of Germany in 1966-1967, Japan in 1962-1963 and 1964-1965 (two very mild recessions) and Italy in 1961. All this, however, changed in the 1970s when synchronization came to be the rule in such crises. The 1973-1975 crisis, moreover, was the most far-reaching and severe one experienced by the capitalist world since the Great Depression of 1929-1933. The volume of industrial output declined between the pre-crisis peak and the crisis trough by 13.1 per cent in the U S A, 20.2 per cent in the F R G, 13.5 per cent in Italy and 13.2 per cent in France.¹

Owing to the greater frequency and intensity of such crises there was a sharp drop in the growth rates of the advanced capitalist countries in the 1970s, compared to the earlier post-war period (Table I).

Together with this slowing down of the rate of growth, there has been a steady increase in the unemployment rate. The seven major OECD countries listed in the table had an official unemployment rate of 3.4 per cent in 1973 which was a peak year of the cycle. This rate increased to 3.6 per cent in 1974 and 5.3 per cent in 1975; the post-1975 recovery was both limited in scope and accompanied by a large-scale adoption of labour-displacing technology so that, even in 1978, the unemployment rate stood at 5.1 per cent. Since then,

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TABLE I
GDP GROWTH RATES (MEAN ANNUAL)

	1960-1973	1974-1979	1980
U S A	4.0	2.5	- 1.0 @
Japan	10.1	4.0	3.5 @
Britain	3.1	0.9	- 2.4
F R G	4.5	2.5	1.8
France	5.7	2.9	1.6
Italy	5.0	2.5	2.5 @
Canada	5.6	3.9	0.5 @
Other developed capitalist countries	5.2	2.0	1.8 @
All developed capitalist countries	5.0	2.7	0.2

Note: @ Estimate. All calculations on 1975 prices.

SOURCE: *OECD Economic Outlook*.

the rate climbed up again in the first half of 1980 (the rate was 5.5 per cent for all OECD industrial countries). The absolute numbers of unemployed officially in the first half of 1980 in the OECD industrial countries were 17.5 millions, 7.3 millions more than in 1973, the peak year of the boom.²

Even periods of rapid growth under capitalism witnessed increases in unemployment, both in absolute numbers and even as percentage of work force when the labour-displacing effects of technological progress keep the growth of employment below the growth of work force. Thus, F R G, which was one of the fastest growing capitalist countries after the war, witnessed zero to negative rates of employment during the 1960s and the 1970s. And for OECD as a whole, between 1969 and 1973, a period marked by a very strong boom, there was an absolute increase in unemployment from 6.5 millions to 11 millions. When we consider additionally the growth of unemployment after 1973, when the advanced capitalist economies were characterized by crises and relative stagnation, it is clear that over the decade of the 1970s, unemployment increased by more than 12 millions in these countries. This figure, moreover, understates the magnitude of the actual increase in unemployment. It is well-known that in the years of high unemployment, several groups drop out of the work force, that is, they do not report themselves as being available for work. This is true of women as well as of migrant workers from the depressed regions within the advanced capitalist countries. As a result, the work force estimates are underestimates in high unemployment years which thus implies an understatement of the true unemployment situation. Thus, against the official OECD estimate of 17.5 million unemployed in the "industrial countries" in the first half of 1980, *The Economist* reported 23 millions as out of work in the 24 OECD countries as a whole.³

How seriously the official figures underestimate the magnitude of unemployment at any given point of time is brought out in a study by Sweezy and Magdoff for the United States. For April 1975, while the official estimate of unemployment was 8.2 millions, constituting 8.9 per cent of the work force, a very conservative estimate by them puts the figure at 13.0 millions or 13.6 per cent of the work force. The actual unemployment was thus over one and a half times the official figure.⁴ Interestingly, an earlier study by the same authors using an entirely different method had found that at the end of 1970 the actual unemployment in the U S was once again over one and a half times the official figure.⁵

Since 1980 unemployment has of course become even more acute. In Britain, the latest unemployment count puts the figure at 2.99 millions which exceeds the peak unemployment figure reached during the Great Depression towards the end of 1933. In Japan, where some recovery has been under way since June, based mainly on a spurt in exports, sluggish domestic consumer demand has led to a spate of bankruptcies and closures affecting small and medium business units, which cater mainly for domestic demand; the result has been a rise in unemployment. For the European Economic Community (EEC) as a whole, the July 1981 jobless figure was 8.9 millions which has exceeded all previous peaks, and which is 33 per cent higher than in July 1980.⁶ And in the U S where an acute recession persists, unemployment is steadily increasing. *The Economist's* prediction that unemployment in the OECD will increase by 2.5 millions between 1980 and 1982 may turn out to be on the conservative side.⁷

Along with the growing unemployment and declining growth rates, the 1970s saw a tremendous acceleration in the rate of inflation in the advanced capitalist countries (Table II).

TABLE II
ANNUAL RATE OF INCREASE IN CONSUMER PRICES IN MAJOR CAPITALIST COUNTRIES (percentage)

I	1961-1970	1971-1976	1977	1978	12 months before April 1979
U S A	2.8	6.6	6.5	7.7	10.4
Japan	5.8	11.1	8.1	3.8	2.6
F R G	2.7	5.9	3.9	2.6	3.5
France	4.0	8.9	9.4	9.1	10.0
U K	4.1	13.6	15.9	8.3	10.1
Canada	2.7	7.4	8.0	9.0	9.8
All OECD	3.4	8.6	8.7	7.9	8.8

SOURCE: *OECD Economic Outlook*.

Not only were the rates much higher in the 1970s than in the 1960s, but the slight deceleration witnessed in the late 1970s began to reverse

itself by 1979 for OECD as a whole. This reversal began in FRG and Japan, but by 1980 the OECD as a whole was experiencing 12 per cent annual rate of inflation with the FRG's inflation rate climbing up to 5.5 per cent; Japan's to 5 per cent. Such figures as are available for 1981 show no abatement of inflation; according to a recent report the annual inflation rate in the EEC stands at 12.2 per cent, while the rate for the US is 9 per cent.

The current account in the balance of payments of the OECD countries, which had shown a surplus until 1973, has got into a consistent deficit since then. The deficit, which was over 32 billion dollars in 1974, had narrowed a little since then, but widened again to a massive 73 billion dollars in 1980. This is after taking into account the massive inflows of income on account of the operation of multinationals abroad. The trade deficits in the 1970s were thus much higher than the current account deficits. These enormous deficits have strengthened the drive towards protectionism, led to competitive jacking up of interest rates to attract short-term capital inflows and increased the disunity among the advanced capitalist countries.

Capitalism in the 1970s thus saw declining growth rates; growing unemployment, accelerating inflation and negative current account balances which triggered interest rate increases and trade wars, all of which ensured a radical departure from the previous post-war period. But the question arises: What are the immediate economic prospects in the foreseeable future? Is there any recovery in sight for the advanced capitalist countries, and if so, a recovery to what level? To answer these questions it is instructive to compare the current recession with that of 1975. It is obvious that the 1975 recession represented a much sharper drop in output than the 1980 recession. One important reason behind this sharp drop in 1975 was the quick destocking by companies. By contrast, destocking has been much slower in the current crisis in most advanced capitalist countries with the exception of Britain, which is one reason why the GDP drop in Britain was much larger in 1980 than elsewhere.⁸ But a moderate destocking is likely to be followed only by a moderate stock-building. The recovery therefore becomes much weaker in a situation where the recession is shallow and companies are saddled with large inventories for a long time. Thus, the 1980 crisis is likely to be a more lingering affair for this, if for no other reason.

There are however other, more powerful reasons why this is likely to be the case. The 1980 crisis is occurring in the midst of an acceleration in the underlying inflationary tendency. A quick recovery at this stage when inflation is running at 12 per cent (annual) would push the capitalist economies towards hyper-inflation. A common refrain is that the recovery from 1975 came "too soon". It is this which, many governments, commentators as well as international agencies like the IMF believe, accelerated inflation in the late

1970s. The determination now is not to let the recovery come "too soon". So while demand management policies of capitalist governments usually meant inflating the economy when it is in the midst of an overproduction crisis, which is what also happened in 1975, this time the governments, especially Reagan and Thatcher who have explicitly espoused monetarism, are busy deflating the economy in the midst of an overproduction crisis. This has meant sharp cuts in government expenditure, particularly on social security; it is only military expenditure which is budgeted to grow by the Reagan administration. It has also meant high interest rates, which have resulted in a tremendous fall in the value of capital assets. According to the *Newsweek*, since mid-June 1981, bond-holders in the US have suffered a capital loss of 300 billion dollars.⁹ This has meant a sharp contraction in the inducement to invest on the part of private business and a spate of company take-over bids. What is equally significant, and even less expected by official economists, domestic consumer demand has also been sluggish. Monthly retail sales in the US contracted by 0.3 per cent in July 1981 and increased by only 0.6 per cent in August.¹⁰ Thus the main components of domestic aggregate demand, stock-building, government expenditure, private investment and consumer expenditure are all sluggish. The only scope for recovery in this situation is through enhanced exports, as Japan has shown since June with exports contributing three-fourths of her GDP growth.¹¹ But this growth adversely affects other capitalist countries and is certain to invite greater protectionism.

There is yet another difference between the earlier crisis and the current crisis. The initiation of a new boom at this moment will certainly widen the current account deficit in the balance of payments of the capitalist world. If all capitalist countries were united, then there might not have been much to fear from such a widening in the current deficit. After all, the deficits and surpluses in the international economy should cancel one another out and since the surplus countries, by and large, have to invest their funds in the multinational banks, the advanced capitalist countries taken together should not expect to have any problems in financing their deficits. But these deficits are arising in the midst of inter-imperialist rivalry. Any country that initiates a boom and widens its deficit runs the risk that it may not be able to attract sufficient funds to pay for their deficit. Raising the interest rate for international investors is no good if the rivals follow suit, as Europe has already threatened to do vis-a-vis the US at the recent Ottawa summit. There is thus a further reason for the cautiousness of governments in advanced capitalist countries in "reflating" the economy, which is why world capitalism seems set to move into a prolonged depression together with inflation.

A forecast made by *The Economist* for four major European

economies is interesting in this context.¹² For these four economies, namely, the U K, FRG, France and Italy, *The Economist* gives the following figures by way of achievements and predictions:

	1980	1981	1982
Growth rate (%)	1.3	-0.5	1.6
Inflation rate (%)	12.5	11.0	9.5
Unemployment (%)	6.1	7.9	8.7
Current account deficit (dollar billion)	-26.8	-19.3	-20.1

Even if these predictions turn out to be true, clearly capitalism in Europe in 1982 is seen to be bogged down still in massive unemployment, inflation and near stagnation. But even the insignificant improvement predicted for 1982 is based on the following hypothesis: "But in late 1982, the report thinks Europe may be pulled firmly out of recession *by the other big industrial countries*" (emphasis added). Until then, however, even the other big industrial countries are expected to be witnessing the same crisis: "In the United States, spurts of growth are expected to be subdued by tight fiscal policy (to reduce the large government deficit). However, both America and Japan began to grow quite fast in 1982". The only basis for expecting a recovery in Europe in 1982 is a belief that growth will occur elsewhere! An amusing example of this almost theistic belief in "other big industrial countries" is provided by the fact that while the British journal gives FRG a -0.7 per cent growth in 1981, five FRG institutes believe that their country will have a growth rate of -1.5 per cent in 1981!

Even this prediction of an insignificant recovery in 1982 is hedged about by qualifications. "Although all four economies should be rattling with spare capacity (though nobody quite knows how much of it has been rendered useless by the huge rises in energy prices) at home, this simultaneous demand for raw materials might mean pretty sharp increases in primary product prices as in 1975-76 and, to a lesser extent, in 1978-79. That might set the scene for a third drop into stagflation in 1983-84—a decade after OPEC first toppled the world off its post-war growth-rates".¹³ So after predicting a recovery in 1982, *The Economist* simultaneously predicts the possibility of a third stagflation in 1983-84! So much for the prospects of recovery.

Thus even if the capitalist economies manage to bring down the current inflationary spurt, any recovery thereafter would probably push them into yet another inflationary spurt. A recovery from the current recession would therefore not only be delayed, but is expected to be tenuous. This is how Professor Kaldor of Cambridge expresses the matter: "The absence of any stable medium which would serve as a hedge against inflation may well come to mean that any revival of demand will lead to spectacular increases in commodity prices, fed

by speculation; and the problem of keeping inflation at bay will increasingly be at the centre of pre-occupations of *all* industrialised countries, with untoward consequences in terms of waste of resources and unemployment.”¹⁴ The fact that a recovery whenever it comes would be beset with severe problems lends credence to the apprehensions expressed by an American writer: “We are shifting from the recessionary ’70s to the depressed ’80s”.¹⁵

The Context of the Post-War Boom

To understand this transition from the prolonged post-war boom to a new phase of protracted crisis, it is important to examine the context and the nature of post-war growth itself. The inter-war years have been characterized by acute industrial and agrarian crises, intense inter-imperialist rivalry and trade wars, instability of exchange rates and a drying up of capital exports which exchange instability engendered. The disunity among the imperialist powers was certainly an important contributing factor behind the prolonged crises, though Professor Kindleberger perhaps goes too far in attributing to it the crucial causal role.¹⁶ Since, there is no single world capitalist state to back a single world currency, discipline in international finance can only be enforced from time to time when there is a clear leader among the capitalist countries. The stability of the pre-war gold standard was clearly linked to the pre-eminent position of London as the financial centre of the capitalist world. The decline of Britain from its leading position and the violent eruption of inter-imperialist rivalry left the capitalist world of the inter-war period in a position where there was no single centre of financial power capable of enforcing any discipline upon the international financial system. The Second World War, while it left the capitalist world badly damaged and enormously weakened, resulted, nevertheless, in the clear emergence of the U S as the undisputed leader of the capitalist world. One outcome of this was the Bretton Woods system, imposed by the U S with British support upon the capitalist world which put an end to the pre-war financial chaos. A regime of fixed exchange rates and of the dollar as the reserve currency with a fixed price in terms of gold (35 dollars = 1 oz of gold) was ushered in. While the system conferred, as we shall see, enormous advantages upon the U S, it also permitted a resumption of large-scale capital exports and, of course, a substantial expansion of international trade under conditions of exchange stability.

Post-war capitalism also saw active state intervention in “demand management”. This transition to active state intervention in “demand management”, which involved large-scale state expenditure, was by no means an easy one. Despite the close links between monopoly capital and the state, such an escalation in the role of the state, even in the interests of monopoly capitalism itself, was looked

upon with disquiet for a long time by certain sections of monopoly capital. The example of Nazi Germany was a pioneering one in this respect.¹⁷ While the Nazi regime brutally attacked the working class and kept down real wages drastically, it undertook enormous expenditure on war preparations which boosted the level of effective demand and brought about a recovery of output from its depressed level. In the rest of the capitalist world, by contrast, there was a prolonged depression throughout the 1930s. The mild revival after 1933 was followed by another crisis in 1937. Capital goods industries in particular remained depressed throughout the 1930s. It was only when war expenditure increased under Nazi threat after 1938 that the capitalist economies decisively came out of the slump.¹⁸ The industrial output index of the capitalist powers in the inter-war years moved as follows (1901 to 1913 = 100): 1913—121; 1920—116; 1929—176; 1932—114; 1938—181.¹⁹

The experience of the pre-war and war years helped allay the fears of sections of big business, and the post-war years witnessed a continuation of large state expenditures. Opposition to such expenditures also declined when it became clear that the spheres of state activity were confined, by and large, to overheads, energy and, most important of all, military expenditure apart from the rehabilitation of sick and declining sectors.²⁰ All these were sectors which, on the whole, did not encroach on the spheres considered lucrative and attractive by monopoly capital. A part of the growing state expenditure, moreover, was financed by an enlargement of the national debt which was analogous to an export of capital from the monopolists to the state. So the state concentrated on areas which were complementary to, rather than competitive with, the areas which monopoly capital wanted as its exclusive preserve; it helped maintain the level of effective demand for monopoly capital, so that capacity utilization and profits were kept up; at the same time its expenditure was financed, in part at least, by borrowing, which meant an easy and manipulable outlet for capital exports by the monopolists.

The role of militarism in sustaining the post-war boom cannot be over-emphasized. Varga estimates that above 20 per cent of the total labour force in the advanced capitalist countries is engaged indirectly or directly in war production.²¹ An estimate for the US by Sweezy and Magdoff, which deliberately keeps very much to the conservative side, shows that the total number engaged directly or indirectly in such production, together with the total number of unemployed at end-1970, constituted 25.6 per cent of the labour force, which exceeds the highest unemployment rate recorded during the Great Depression in 1933—24.9 per cent.²² No doubt the importance of militarism differs across the countries, a fact whose implications will be explored later, but clearly militarism in the leading imperialist power, the US, boosts the level of activity not only in the US but in

the entire capitalist world.

While the pre-eminent position of the US in the imperialist world, together with state intervention in "demand management" provided the basic context for the post-war boom, several other factors went into its making, some of them engendered by the boom itself. First, the economies of Europe had been shattered by the war, and post-war reconstruction of fixed capital as well as of durable consumer goods such as housing kept up the level of demand for a long period. The same was true of Japan, and, to a lesser extent, of the United States. During the war shortages, price control and rationing had meant an accretion of unspent purchasing power, so that capitalist economies, and the U S in particular, emerged from the war with a tremendous increase in liquid resources in the hands of the consumers as well as of the corporations and a great deal of pent-up demand, both of which went to sustain boom conditions. Secondly, the process of socialization of inventions was carried a stage further and there was a scientific and technological revolution in the capitalist world whose strength derived from as well as contributed to the sustenance of the boom conditions. Thirdly, the great wave of automobilization, delayed in the rest of the capitalist world and resumed in the U S from where it had ended in the pre-war years, had an impact similar to that of the introduction of railways in the nineteenth century. It not only contributed to the high growth directly, but brought about changes in life-styles and in the configuration of urban existence, which also helped maintain high demand and growth.²³ And lastly, one must note that a lot of all this was sustained by an enormous increase in debt. Even after the excess liquidity of the war years had had its impact, expansion was financed by burgeoning debt, supported in the last instance by the printed money from the Central Banks.

Contradictions of the Post-War Boom

In the course of the boom, however, a number of contradictions got accentuated which ultimately pushed the capitalist world into its current protracted crisis. First of all, the very fact of the state emerging as a major purchaser of commodities as part of its "demand management" policies created a tendency on the part of the oligopolists to push up their profit margins and hence prices. In a situation where demand in money terms cannot rise at all, an increase in profit margins by charging higher prices leads to no increase in the total revenue of the oligopolists, but only to a reduction in the volume of sales. The oligopolists in such a situation will be far more chary about colluding to increase their prices. But where the state is a significant purchaser, it is in a position to maintain its real purchases by enlarging its borrowing, from the Central Bank if need be, in the face of a rise in the prices of commodities which it

purchases. What is more, where the state is committed to the maintenance of a high level of capacity utilization, it would in fact maintain its real purchases even in the face of price hikes by the oligopolists. The demand facing the oligopolists therefore becomes relatively price-inelastic. There is a tendency on the part of the oligopolists in such a situation to increase their profit margins by charging higher prices, to raise, in Kalecki's words, their "degree of monopoly".²⁴ They would do so even if the volume of their sales to purchasers other than the state declined owing to the price hike, since they would still get a higher amount of revenue for any given amount of prime costs.

State monopoly capitalism, therefore, entails a tendency towards inflating profit margins. This is a primary source of inflation. It would mean that sectors which cater for more state purchases would experience, other things being equal, a stronger tendency towards profit-margin inflation than other sectors,²⁵ and that the overall share of wages in value added would tend to decline. If the workers resist this declining share and the monopolists are unwilling to reduce their profit margins, then the situation would move progressively towards a cumulative wage-price-spiral. The tendency towards profit-margin inflation would therefore, sooner or later, give rise to a general inflationary upsurge. That the post-war boom was accompanied by a decline in the workers' share in value added is borne out by the available statistical evidence for the United States at least.

The US *Census of Manufactures* provides data on the amount and distribution of value added in manufacturing establishments. There are three problems, however, with these data. First, they refer only to gross value added, that is, they are inclusive of depreciation, without giving the precise magnitude of the depreciation allowances. Second, they give figures either for wages or for "wages and salaries" together while within salaries are included the salaries of corporation executives as well. Third, the value added figure is calculated only with ex-factory prices without taking into account the distributive margins. That the latter is a very significant component of the price ultimately charged to the consumers is borne out by the fact, for example, that in the automobile industry the distributive mark-up per car produced is larger than the wages paid at the factory. Table III gives estimates of the rate of surplus value calculated on three different bases.

The three series, while they differ in the absolute figures, reveal the same trend, namely, a reduction in the share of the workers in value added, or in other words, a rise in the rate of surplus value. This calculation moreover does not take into account the distributive margins. There is evidence of a widening of the difference between ex-factory and retail prices of manufactured goods in the United

TABLE III
RATE OF SURPLUS VALUE IN U S MANUFACTURING (%)

	I	II	III
1947	146	87	98
1953	148	83	96 (refers to 1954)
1963	207	104	124
1967	221	111	131 (refers to 1966)

I Gross value added minus wages + wages

II Gross value added minus wages and salaries + wages and salaries

III Gross value added minus estimated depreciation minus wages and 50% of salaries + wages and 50% of salaries.

NOTE: Depreciation allowances have been estimated by the method used by Joseph Gillman, *The Falling Rate of Profit*, London, 1967, pp 46-47, 60-61.

SOURCE: For the first two columns, Victor Perlo, *The Unstable Economy*, New York, 1973, p 27; for the last column, E Mandel, *Late Capitalism*, London, 1975, p 175.

States during these years, owing partly to increasing monopoly control over retail trade.²⁶ To take account of this as well as of government taxation, Perlo has used *Business Statistics* data together with labour department data to construct and compare two indices: an index of physical productivity per man hour, and an index of real take-home pay per man hour. Between 1946 and 1969, while productivity increased by 139 per cent, real take-home pay increased by 40.6 per cent. The index of real take-home pay per unit of production, obtained by dividing one of the above indices by the other, decreased by as much as 41 per cent.²⁷

These findings may appear totally strange to those familiar with the work of Kuznets.²⁸ Indeed, the bulk of empirical research in capitalist economies purports to show either a constancy or even an increase in the share of wages in national income, particularly in the post-war period. But the evidence presented above is not directly comparable to the evidence contained in many of these studies. The reasons are the following:

First, our data relates only to manufacturing industries rather than the national economy as a whole. The concept of the national income is based on an obliteration of the distinction between productive and non-productive workers. Constancy of wages in national income as revealed in official data is not only compatible with but indeed serves to hide increases in the rate of surplus value. It is the latter, however, which is crucial for understanding the dynamics of capitalism. Secondly, surplus value is not identical with profits. A part of the surplus value is taken away by the state, for instance, through taxation. So an increase in the rate of surplus value is not conceptually the same thing as an increase in the ratio of post-tax profit to wages. Statistically, of course, the revealed profit figures are entirely unreliable. So the entire Kuznets type literature on

shares is quite irrelevant to the present argument, namely, that the very nature of state monopoly capitalism, the very fact of state intervention in "demand management" implies a tendency towards a rise in the rate of surplus value through an inflation of profit margins (at given levels of taxation), that this implies a divergence between real wage and productivity movements of productive workers,²⁹ and that when the workers attempt to resist or reverse this, the economy heads towards an inflationary spiral.

The inelasticity of demand introduced by the state's "demand management" policy would have in any case made profit-seeking oligopolies to charge higher profit margins. But additionally the conditions of post-war boom, to an extent, compelled them into doing so. The scientific and technological revolution accelerated the pace of obsolescence of equipment.³⁰ The reduced life span of fixed capital implies that its costs of installation should be recouped within a shorter period, which means that the ratio of gross profit to the original value of fixed capital equipment must rise. At any given ratio of gross profit to value of output, this can come about of course if capital-productivity, that is, the output-capital ratio, increases appropriately. But if the output-capital ratio does not increase at all or does not increase sufficiently, then the more rapid turnover of fixed capital must entail a rise in gross profit margin per unit of output. The output-capital ratio in turn depends upon two factors:³¹ the degree of utilization of equipment and the capital intensity of output at normal capacity utilization. Assuming no increase in the degree of capacity utilization the output-capital ratio depends upon the type of technology, and its changes depend upon the nature of technical progress. The scientific and technological revolution, while it reduced the turnover period of fixed capital, did have the effect in some industries of reducing the capital intensity output, that is, of increasing the output-capital ratio, as technologically determined. But in other industries it had the opposite effect. The movement of capital intensity is uneven across industries as well as across countries; it is also uneven across time periods. The available data in this respect moreover are beset with a host of conceptual and statistical problems. Notwithstanding these problems, some of the conclusions from empirical studies in this area can be summarized as follows:

- (1) Capital-output ratio, which lumps together the effects of the level of utilization with those of technological change, when calculated from input-output data for the actual structure of the final product, decreased in the United States from 1.723 in 1947 to 1.493 in 1958, but increased thereafter.³²
- (2) In France, FRG and Japan, there was a general rise of the capital-output ratio in the post-war period.³³

While the precise figures and even their significance may be debatable, it seems plausible that there was no marked tendency, at least after the late 1950s, for a general increase in the output-capital ratio in the capitalist world. The reduced turnover period of fixed capital, which was especially characteristic of the 1960s, and the need to recoup the value of fixed capital installations within the reduced period would therefore have exerted pressure upon the monopolists to raise gross profit margin per unit of output. This can be achieved either by reducing the share of the raw material costs per unit value of output, or by reducing the share of wages in gross value added, or through some combination of the two. Evidence for the United States clearly shows both a fall in the raw material costs per unit value of output in the manufacturing sector, as well as a decline in the share of wages in the gross value added.³⁴

The post-war boom thus meant relative losses for the workers; it also brought about a deterioration in the terms of trade for the primary commodity producers. On the basis of UN data, Kaldor estimates that the cumulative deterioration in the primary producers' terms of trade (excluding fuels) amounted to 24 per cent between 1953 and 1971. The period 1968 to 1971 was a period of sharp inflation in the advanced capitalist countries; what is interesting, however, is that all but 3 per cent of this deterioration had occurred prior to the sharp inflation, that is, between 1953 and 1968.³⁵ In other words, even before the outbreak of the inflationary crisis, even when the boom appeared relatively crisis-free, it was based upon a situation where profit margins, both gross as well as net, as a proportion of the value of manufacturing output were increasing; the profit margin inflation did not lead to a general inflation because of the acquiescence of the primary producers as well as the workers to a loss in their relative shares. This acquiescence, however, could not continue indefinitely; when the workers and the primary producers attempted to recover lost ground, the very fact of this prolonged loss precipitated an exceedingly sharp inflationary crisis.

There is a second way in which contradictions got accentuated during the boom. The Bretton Woods system, while it stabilized the capitalist financial world, was immensely beneficial to the United States. With the dollar declared to be "as good as gold", and other capitalist countries obliged to hold dollars, the US was in effect provided with a free gold mine³⁶. It merely printed dollars to meet its balance of payments deficits. Right until 1971, the US had a trade surplus, but a balance of payments deficit. The reason why a trade surplus co-existed with a balance of payments deficit is not far to seek. The US government sent abroad massive sums of money on building military bases, on providing so-called "aid", both economic and military, to a host of governments, on maintaining puppet regimes in underdeveloped countries, on financing

“counter-insurgency”, as well as for making massive capital exports, not only to Latin America and other underdeveloped countries, but also to Europe where American monopolists bought up large chunks of European capital with the help of dollars printed back home and sanctified as being “as good as gold”. The irony of the situation was the following: Other capitalist countries were prepared to accept the supremacy of the dollar because the U S alone could act as the gendarme of counter-revolution, on behalf of all of them, but they watched with dismay as the gendarme also made inroads into their own houses and bought up their own capital. Inter-imperialist contradictions accentuated as a result, with De Gaulle taking the lead in the fight against the U S. But for some time, other imperialist countries continued merely to maintain a sullen silence and held on to the dollars pouring out of the US while encouraging quite deliberately a centralization of capital in their domestic economies through takeovers and mergers in a bid to thwart the inroads being made by American capital³⁷

On the trade front itself, the U S position had been weakening over time. Being the leader of the capitalist world demanded a price. Large-scale military expenditure by the U S was necessary for the political security of international capitalism, for rolling back the advance of revolutionary movement; it was also necessary in the more narrowly economic sense for maintaining a high level of activity in the U S, and by implication in the rest of the advanced capitalist world. But the heavy military expenditure also meant the commitment of a large part of technical personnel and resources for armaments production, and a corresponding slowing down of technical progress in a number of other sectors of the economy. Countries like Japan and the FRG, while benefiting from the effects of U S military expenditure both politically and economically, could manage to maintain higher investment rates and more rapid rates of growth of labour productivity. Table IV brings out some of the trends clearly.

TABLE IV

Country	<i>Arms spending as percentage of GNP 1965-1970</i>	<i>Investment as percent of GNP 1960-1969</i>	<i>Annual growth of labour pro- ductivity in percent 1965-1970</i>
U S	9	13	2.1
Great Britain	7	14	3.6
France	5	18	6.6
F R G	4	20	5.3
Japan	1	27	14.2

SOURCE: J KUCZYNSKI, *The World Economic Crisis of Capitalism*, New Delhi, 1977, p 11.

All this should not be taken to mean, of course, that the overall technological lead of the United States over the rest of the capitalist world has disappeared. What did happen was that in several areas the US faced stiff competition in export markets from Japan and the FRG, in particular the former. Japan, with her comparatively high rates of productivity growth and comparatively low rates of real wage growth, posed a serious threat to the US trade surplus. Here was a classic case of uneven development as Lenin had emphasized. The very country whose economy had been revived with American capital imports had now grown powerful enough to challenge the US on the international market. Uneven development thus meant that in the course of the post-war boom itself, the pre-eminent position of the US, which was an important condition for the stability of the capitalist world finance and for the sustenance of the boom situation, got progressively undermined.

The Eruption of the Crisis

The boom thus accentuated contradictions which threatened its own sustenance. These contradictions reached a critical state with the Vietnam war. As the Vietnam war escalated to become the longest and the second most costly war in the US history, the US balance of payments deficit widened enormously. What is more, there was a sharp increase in the rate of inflation in the US economy under the pressure of war demand, which led to a rapid dwindling of US trade surpluses and their conversion into an actual deficit in 1971. The counterpart of growing US payments deficit was the growth of unrequited balance of payments surpluses in other capitalist countries, unrequited because they were simply obliged to hold on to the massive outflow of dollars from the United States. These surpluses in turn transmitted demand pressure from the US to the other capitalist economies. The escalation of the rate of inflation owing to the excess demand pressures of the Vietnam war, an escalation felt all over the capitalist world, brought forth in turn large wage claims, which under monopoly capitalist conditions were transmitted to further price increases. When the rate of price increases reaches a certain threshold level, as Rowthorn has argued, inflation is anticipated and incorporated into the wage claims;³⁸ from then on, therefore, an inflationary wage-price spiral begins. The Vietnam war was instrumental in pushing the capitalist economies from the creeping inflation of the 1953 to 1967 period to the rapid inflation of wages and prices starting around 1968. In assessing its inflationary impact, however, it would be erroneous to attribute the entire inflationary upsurge to this single phenomenon, as William Nordhaus has done, just as it would be equally erroneous to ignore its impact altogether, as Kaldor has done.³⁹ It is generally agreed that productivity growth is an important factor affecting wage claims

in the advanced capitalist countries, though the precise nature of the effect may still be a matter of debate. If real wage increases lag behind productivity increases for some time, then one would expect growing wage claim over time anyway; this growth will be accelerated when an inflationary pressure emerges from an independent source. The Vietnam war inflation, in other words, provided the spark which ignited the inflationary conflagration, the basis for which was already prepared during the preceding boom years.

The excessive outflow of dollars which occurred especially during the Vietnam war also resulted in the end of the Bretton Woods system. The convertibility of the dollars into gold was abandoned *de facto* in March 1968 and *de jure* in August 1971. But speculation against the dollar increased until finally, in 1973, the dollar was devalued; soon the capitalist world moved to a system of floating exchange rates. The currency upheavals following the formal suspension of the dollar's convertibility into gold were responsible partly for the real explosion of commodity prices which began in 1972. Of course, the strength of the boom following the 1969-1970 recession, which was associated in turn with the collapse of the Vietnam war boom, led to an anticipation of commodity shortages and inflationary expectations. But the currency instability induced commodity buying as a hedge against inflation.⁴⁰ If the inflationary upsurge after 1968 was accompanied by mounting wage claims, this upsurge was carried further by mounting commodity prices after 1972. Thus, long before OPEC raised the price of oil, the capitalist world was in the grip of an inflation; OPEC action only accentuated the crisis.

While the oil price hike has further exacerbated the struggle between the workers and the capitalists over wage demand in the advanced capitalist countries, it has also accentuated inter-imperialist rivalry. The OPEC price hike itself, of course, could not have occurred if inter-imperialist rivalry had not already existed, and much more important, the socialist camp had not existed to act as a check upon imperialist aggrandizement; the U S, in the absence of such a check would have taken direct military measures long ago to bring the OPEC countries to their knees. The very fact that, despite these checks, Kissinger toyed with such an idea only serves to underscore the point. But the OPEC hike in turn, by generalizing the balance of payments difficulties to the imperialist world as a whole, has intensified trade and interest rate struggles among them. In a regime of floating exchange rates, a country with a higher rate of inflation would tend to have greater pressure on its balance of payments leading to a downward adjustment of its exchange rate, which in turn would accentuate inflation further. To avoid getting into such cumulative disequilibrium positions, the advanced capitalist countries have been using interest rates to attract as short-term loans the vast amount of

liquid resources sloshing around the international financial markets. This not only perpetuates domestic recession, but can give rise to an alternative pattern of cumulative disequilibrium as the British and the very recent American experience shows. The inflow of hot money led to an appreciation of the British pound last year which reduced the ability of the British manufacturers to withstand foreign competition and led to large-scale closures of British factories. If depreciation of the currency worsens inflation, appreciation of the currency worsens unemployment. The inevitable tendency among these countries, therefore, has been to move to greater protectionism together with high interest rates.

Capitalist Finance and Debt Deflation

Tight money and high interest rates to combat inflation and widening payments deficits also threaten to precipitate the financial crisis and with it a severe depression. The long years of post-war boom were accompanied by a massive explosion of debt, especially in its later phases. In the US, according to Minsky, the debt stretch-out began to be excessive around the mid-1960s.⁴¹ An indication of the debt explosion in the US economy is provided by Table V.

TABLE V
BANK LOANS AND LIQUID RESERVES OF LARGE COMMERCIAL BANKS FOR THE
POST-WAR PERIOD (% of total deposits)

Year	Bank loan	Cash plus treasury securities
1950	36.0	54.0
1955	46.0	42.7
1960	56.3	34.7
1965	66.2	22.3
1970	70.8	18.3
1974	82.0	13.6

SOURCE: P M Sweezy and H Magdoff, *The End of Prosperity*, Monthly Review Press, 1977, pp 43-44.

Finance acts as an accelerator during the boom: Corporations borrow from banks or sell bonds to raise money for industrial purposes as opportunities for profit-making loom on the horizon; consumer purchases are stimulated by retail, instalment or mortgage credit; banks stretch their credit to the utmost limit to lend to corporations, speculators as well as consumers. The boom is thus sustained and carried forward by a layering of debt, and this layering is sustained by the confidence that the boom will never end. This debt stretch-out, therefore, is essentially speculative in character. Once the bubble bursts, there is a domino effect, with creditors scrambling to get their funds back and debtors scrambling for funds to pay off their debts. The greater the debt stretch-out during the boom, the greater

is the panic when the boom bursts, and the greater therefore is the depth of the depression to which the economy sinks as a result of debt-deflation. Finance, which acts as an accelerator during the boom, becomes an equally strong depressing force during the downturn. One of the factors behind the Great Depression, as Irving Fisher suggested, was the speculative euphoria of the preceding boom which had resulted in a vast debt-explosion.⁴²

Debt-explosion places the governments in the advanced capitalist countries in a dilemma. To prevent the financial crisis and the severe slump that would inevitably follow, they have to prevent a debt-deflation. To do so, however, they have to keep pumping enough liquidity into the system so that the euphoria of the boom is sustained. When the boom is accompanied by an inflationary spiral, this means, in effect, making adequate amounts of money available to sustain the inflationary spiral. The government "demand management" is thus increasingly faced with the choice between either deliberately sustaining accelerated inflation or deliberately pushing the economy into a financial crisis and prolonged depression. Moreover, the more prolonged the debt-fed inflation because of government support, the more acute the depression that would follow.

Capitalist governments until now have propped up the financial system whenever it has been threatened with an incipient crisis, as happened in the U S "credit crunches" in 1966, 1969-1970 and 1973-1974 when the Federal Reserve Bank made funds available to banks threatened with collapse. Tight money was thus seen as no more than a temporary phase and no serious financial panic followed upon the introduction of tight money.

This, however, seems to have changed recently. In the U S the money market rates have shot upwards, so much so that "interest rates adjusted for inflation are at their highest level since the Great Depression, the long term bond market is near collapse and the stock market is slumping".⁴³ The long-term rates have moved up because of anticipated declines in bond prices; the short-term rates are even higher, because corporations, unable to raise funds in the bond market, are increasingly relying upon short-term borrowing, which only worsens their liquidity position. The U S is in serious danger of a financial crisis unless Reagan reverses his tight money policy; such a reversion, however, would mean pressure on the dollar and even sharper acceleration of the inflation rate. Walter Kaufman of Solomon Brothers, one of the largest industrial banking houses in the U S, states: "We run the risk of increasing financial tensions, of greater clashes in the credit markets, which also will increase the risk of credit stringencies, more illiquidity and bankruptcies. That in turn, could produce a significant new downturn for the American economy".⁴⁴ ...

The instability arising from the sphere of finance, however, only exacerbates the crisis, whose roots lie much deeper. Ultimately, the crisis reflects a sharpening of the major contradictions of our epoch: Growing insubordination of the working class in the advanced capitalist countries, growing insubordination of at least one group of raw material producing Third World countries, growing inter-imperialist rivalry, and above all, the advance of socialism on a world scale exemplified by the victory in Vietnam. As long as the domestic working class was quiescent in the face of a rising rate of surplus value, as long as the raw material producing Third World countries quietly accepted U S hegemony, and as long as the cold war was not "heated up" by the resistance of the Vietnamese people, the post-war boom continued. But the conjuncture underlined the boom could not possibly last long. What is more, the accentuation of one contradiction led to the sharpening of another and vice-versa. The expenditure on the Vietnam war sharpened inter-imperialist conflict as well as triggered off pent-up wage-demands; faced with the inflation in manufactured goods prices and emboldened by the growing inter-imperialist rivalry, OPEC countries, many of whom had been asserting their independence *vis-a-vis* the oil multinationals over the years, staked their claim for higher oil prices, which in turn accentuated the wage-price spiral in the advanced capitalist countries, and so on. Economic stability of capitalism today requires the imposition of a "discipline", upon domestic workers, upon Third World countries and within the imperialist camp. Except temporarily, however, such "discipline" cannot be imposed in a world in which imperialism historically is on the decline, in which socialist countries exist and in which their numbers are gradually swelling. The crisis is ultimately linked to the fact that we live in an epoch of transition from capitalism to socialism, an epoch of the general crisis of capitalism.

This is not to say that imperialism, faced with a crisis, is not making efforts to re-impose some kind of "discipline". On the contrary, *vis-a-vis* the underdeveloped countries as well as *vis-a-vis* the domestic working class, frantic efforts are being made to impose "discipline". The non-oil exporting underdeveloped countries have been the worst victims of the world capitalist crisis. Inflation in the advanced capitalist countries has meant worsening terms of trade for them. The loss on account of this alone has been estimated, between 1974 and 1978, at five billion dollars; between 1974 and 1980, it is likely to have been 80 billion dollars.⁴⁵ Their current account deficits have grown because of this as well as because of the recession and growing protectionism in the advanced capitalist countries. The magnitude of their current deficit, actual and anticipated, is given below (in billion dollars)—1970: -6.75; 1971: -10; 1972: -6; 1973: -8; 1974: -24.5; 1975: -40; 1976: -26.5; 1977:

—99.5; 1980: —51; 1981: —80 (expected).⁴⁶

To meet persistent and growing payments deficits, these countries have borrowed increasingly. Their total outstanding debt today stands at around 500 billion dollars; debt service charges, together with interest and dividend payments, absorbed nearly 70 billion dollars in 1979.⁴⁷ Their precarious payments position had been taken advantage of by agencies like the IMF and the World Bank to attempt to force them into opening their economies to greater imperialist penetration. The crisis has meant an intensified quest on the part of the advanced capitalist countries for new sources of raw materials, for new energy sources and for energy substitutes. This quest for raw materials requires a deeper penetration into Third World economies all around the world and attempts at such penetration are being made. Likewise, by forcing upon them a policy of import liberalization at a time when the advanced capitalist countries are themselves going protectionist, the international agencies are opening up their markets for commodities from the latter countries. An intensified drive is on by imperialism to capture the markets and raw material sources in underdeveloped countries.⁴⁸

Notwithstanding the intensified wage struggles, throughout the 1970s the workers in the manufacturing sector in the advanced capitalist countries experienced an average annual rate of growth of real hourly earnings which was below the annual average rate of growth of manufacturing output per man hour. Among individual countries, this was true of Japan, France, F.R.G., U.S. and Great Britain; Italy was the only exception.⁴⁹ The gap between the two rates was the largest for the U.S. whose real hourly earnings in manufacturing were virtually stagnant over 1970-1980. This gives credence to Perlo's finding that important sections of American workers witnessed absolute decline in their real take-home pay over the 1970s. On his calculations, the real take-home weekly pay for a worker with three dependents fell from 97.1 dollars in 1967 to 93.6 dollars in 1977, to 89.3 dollars in 1979 and to 80.9 dollars in February 1981 (all in 1967 dollars).⁵⁰ Since the 1979-1980 recession, when the rate of output and productivity growth declined sharply to near zero or even negative figure, the growth of real earnings has also come down sharply; the near stagnation which characterized real earnings in the U.S. manufacturing industries in the decade of the 1970s, characterizes perhaps the real earnings in capitalist world taken as a whole in the last couple of years. Five leading West German institutes, for instance, find evidence that workers' real incomes are not increasing of late in that country, but they take the unions to task "*for trying to maintain real incomes at the cost of depressing company profit and dampening investments*"!⁵¹ The curtailment of social security expenditure has had an added impact. On the whole, one can conclude that the working class, which has

witnessed massive increases in unemployment, has had inadequate compensation by way of increased real earnings per employed worker. But it is not enough for capitalism that wage increases should be restricted; what is also needed is that workers should be reconciled to this fact. Otherwise, they would keep putting in large wage claims and inflation would continue making recovery difficult, so the real objective is not just to squeeze the workers, but to break down their resistance. While monetarism advocates larger unemployment as a means towards this end, Keynesianism prefers an income policy. If "disciplining" the workers indirectly through larger unemployment, which is the current strategy, fails, more openly authoritarian attacks on workers through anti-union legislations may come into being, as currently advocated by influential sections of monopoly capital.^{5 2} The trend towards a militarization of the economy, seen clearly in the Reagan Administration's armaments programme, presages perhaps a more direct method of "disciplining" domestic workers as well as Third World countries.

- 1 A Belchuk, "The Western Myth about Non-Crisis Development", *International Affairs*, Moscow, 1977.
- 2 The unemployment figures are taken from the OECD. See the report in *The Economist*, 3-9 January 1981.
- 3 *The Economist*, 27 December 1980 - 2 January 1981.
- 4 P M Sweezy and H Magdoff, "Capitalism and Unemployment", *Monthly Review*, 1975, reprinted in *The End of Prosperity*, New York, 1977.
- 5 P M Sweezy and H Magdoff, "Economic Stagnation and the Stagnation of the Economies", *Monthly Review*, April 1971.
- 6 *Economic Times*, New Delhi, 27 August 1981.
- 7 *The Economist*, 27 December 1980 - 2 January 1981.
- 8 *The Economist*, 25 April - 1 May 1981, p 90.
- 9 *Newsweek*, 28 September 1981.
- 10 *Economic Times*, New Delhi, 15 September 1981.
- 11 "New Japanese Steps to Paper Economy", *Economic Times*, New Delhi, 15 September 1981.
- 12 The forecast by *The Economist* Intelligence Unit is published in the 25 April - 1 May 1981 issue of *The Economist*.
- 13 *Ibid.* When *The Economist* talks of the "world" it means the capitalist world. The fact that the socialist world did not get toppled off its post-war growth rates by the OPEC price hike is seen from the following table on industrial production (1970=100):

	Advanced capitalist countries	CMEA countries
1971	102	109
1972	109	118
1973	119	129
1974	120	140
1975	110	153

SOURCE: J Kuczynsky, *The World Economic Crisis of Capitalism*, New Delhi, 1977, p 47.

- 14 N Kaldor, "Inflation and Recession in the World Economy", *Economic Journal*, December 1976, reprinted in *Further Essays in Economic Theory*, London, 1978.
- 15 Quoted in Victor Perlo, "Capitalist Economy and the Third World", paper presented to the Third World Economists' Conference, Havana, April 1981.
- 16 C P Kindleberger, *The World in Depression 1929-39*, London, 1973.
- 17 Michael Kalecki writes: "One of the important functions of fascism as typified by the Nazi system, was to remove the capitalist objections to full employment, the dislike of Government spending policy as such is overcome under fascism by the fact that the state machinery is under the direct control of a partnership of big business with fascist upstarts...the dislike of Government spending, whether on public investment or consumption, is overcome by concentrating Government expenditure on armaments. Finally, discipline in the factories and 'political stability' under full employment are maintained by the 'new order', which ranges from the suppression of the trade unions to the concentration camp". See his "Political Aspects of Full Employment", in *Selected Essays on the Dynamics of a Capitalist Economy 1933-1970*, Cambridge, 1971.
- 18 Harry Magdoff, "Militarism and Imperialism", *Monthly Review*, February 1970.
- 19 E Varga, *Twentieth Century Capitalism*, Moscow, p 38.
- 20 Public investment in energy was more a European phenomenon; armaments as a sphere of government expenditure is more important in the U.S.
- 21 E Varga, *op cit*, p 90.
- 22 P M Sweezy, "On the Theory of Monopoly Capitalism", *Monthly Review*, April 1972.
- 23 Sweezy and Magdoff, *The End of Prosperity*, pp 58-59.
- 24 M Kalecki, *The Theory of Economic Dynamics*, London, 1954.
- 25 Evidence for this in the case of FRG is given in Jrgen Kuczynski, *op cit*, p 33.
- 26 For evidence, see S Menshikov, *The Economic Cycle: Post-War Developments*, Moscow, 1975.
- 27 Victor Perlo, *The Unstable Economy*, New York, 1973, Ch III.
- 28 Kuznets's findings on wage shares are summarized in his *Modern Economic Growth*, Yale, 1966, Ch 4.
- 29 Of course a rise in the rate of surplus value in manufacturing is logically equivalent to a divergence between the real wage and real productivity growth rates (in the sense of value added per worker) in manufacturing only when the price deflators used in the two series are identical, that is, when the workers spend only on manufactured goods. Empirically, as argued in the text, the difference in deflators made little difference.
- 30 E Mandel, *Late Capitalism*, London, 1975, Ch 7; Menshikov, *op cit*, Ch 5.
- 31 Ignore here a third possible factor, namely, divergent movements between the price index of general output and the price index of fixed capital arising from autonomous changes in the behaviour regarding price fixing or in the circumstances of the different sectors. The strength of the general argument in the text would be unimpaired however even if we do allow for realistic cases of divergence of this kind.
- 32 The data for the two periods are based respectively on A P Carter, *Structural Changes in the American Economy*, Cambridge, Massachusetts, 1970, and W H Fisher and C H Chilton, *Financial Report on an Ex-Ante Capital Matrix for the US, 1970-1975*, Columbus, 1971. Both are quoted in Menshikov, *op cit*, Ch 5.
- 33 Menshikov, *op cit*, Ch 5, p199.
- 34 Perlo, *The Unstable Economy*, Ch III and VII.

- 35 Kaldor, *op cit*, p 225.
- 36 Sweezy and Magdoff, *The End of Prosperity*, p 1.
- 37 Domestic take-overs and mergers are encouraged not only to prevent American companies from taking over domestic firms, but also to enable domestic giants created in the process to retaliate against American companies by investing abroad. See R E Rowthorn and S Hymer, "The Multinational Corporation: The Non-American Challenge", in C P Kindleberger (ed), *International Corporation*, Harvard, 1970.
- 38 R E Rowthorn, "Conflict, Inflation and Money", *Cambridge Journal of Economics*, No 1, 1977.
- 39 William Nordhaus, *The Worldwide Wage Explosion*, Brookings Papers on Economic Activity No 3. 1972; Kaldor, *op cit*, pp 224-225.
- 40 Kaldor, *op cit*, p 226.
- 41 Hyman P Minsky, *John Maynard Keynes*, New York, 1975, p 162. See also Essays 3, 4, 5, 9 and 10 in Sweezy and Magdoff, *The End of Prosperity*.
- 42 Irving Fisher, "The Debt Deflation Theory of Great Depressions", *Econometrica*, No 1 1933.
- 43 *Newsweek*, 21 September 1981.
- 44 An interview with Kaufman is published in *Newsweek*, 21 September 1981.
- 45 V Zholobov, "Inflation in Developing Countries", *International Affairs*, Moscow, March 1981, p 127
- 46 "OECD Economic Outlook", *IMF Annual Report*, 1980-81.
- 47 *The World Bank Annual Report*, 1980, p 21.
- 48 The recent stand of the Reagan administration on the question of the World Bank and IMF loans to Third World countries represents only a more crude and aggressive effort in this direction.
- 49 These statements are based on OECD and IMF data as summarized in *The Economist*, 1981, supplement on the Italian economy, p 15.
- 50 Victor Perlo, "Capitalist Economy and the Third World", paper presented at Havana, 1981.
- 51 Quoted in *The Economist*, 18-24 April 1981. Emphasis added.
- 52 The influential US magazine, *Business Week*, has "politely" advocated harsher measures against workers from time to time. See, for instance, its supplement on "The Debt Economy" in its 12 October 1974 issue for a clear statement of its position.

K N RAJ*

“General Crisis of Capitalism”: A Comment

E M S NAMBOODIRIPAD'S key-note paper on the “General Crisis of Capitalism” follows generally the traditional treatment of this question in Marxist literature, without any reference to either the specific features of the contemporary situation or the many important issues that have been raised in regard to it by even Marxist scholars. Some new ground is covered in the sections relating to “difficulties in socialist world”, and “laws of socialist development”, but their treatment suffers from the same limitations. It appears to me that the paper fails to bring out the nature and sources of the crisis in either the capitalist countries of the West or the countries in the “post-revolutionary” phase (to borrow a description recently used by Paul Sweezy for covering all those countries which are ordinarily treated as part of the socialist world). To that extent the perspectives it offers are also of very limited value.

To avoid widening the area of debate any more than is necessary, let me however state the points of agreement. I agree entirely with the view expressed at the outset of the paper that “humanity is in the process of transition from capitalism to socialism”; that this is no smooth process; that it will take time, much effort, and much learning from experience. I am also entirely in agreement with the view that the military-industrial complex that has assumed gigantic dimensions in the capitalist countries of the West presents today the major threat to peace in the world. My differences with Namboodiripad are (as indicated above) in regard to the present crisis in the capitalist and socialist worlds, and in some of the other conclusions drawn therefrom.

The paper quotes at length from Marx and Engels on the sources of the economic crises under capitalism, and refers in particular to the law of the tendency of the rate of profit to fall (together

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with "the counteracting influences" and the "internal contradictions of the law"): But has the rate of profit been declining in the capitalist countries, and if so what is it to be attributed to? In the absence of any further observation in Namboodiripad's key-note paper one is left to infer that the available evidence on trends in the rate of profit and related phenomena are consistent with Marx's theory of crises.

So far as I am aware, such data as have been systematically analysed do show that the rate of profits in the non-financial corporate business sector was perceptibly lower in the United States in the 1970s than earlier (about 9.5 per cent per annum between 1970 and 1975 compared to over 12 per cent in the quarter century from 1949 to 1975). However, according to the findings of Thomas Weisskopf (one of the most well known of the younger generation of Marxist economists in the United States), this decline in the rate of profits is explained not so much by changes in the organic composition of capital, or by inadequacies of demand, but by the rising strength of labour and the consequent increase in the relative share of labour in value added. In Marx's analysis, such increase in the relative share of labour and decline in the rate of profit are consistent with the later phases of cyclical business upswings (when the diminution in the size of the reserve army of labour is supposed to strengthen the bargaining power of workers); but such an increase in the relative share of wages is not part of Marx's conception of the secular trend and, if admitted as such, would have very important implications for the rest of his theory.

I raise this issue not because I have any firm position on this question but simply to point out that it is still an open question whether the present economic crisis in the capitalist countries of the West is of the kind Marx had in mind. Reasoning by analogy is no substitute here for systematic empirical analysis. Moreover, there are some reasons to suspect that the crisis is linked more directly with the growth in power of financial interests following the phenomenal accumulation of petro-dollar deposits in Western banks, together with the loss of technological leadership on the part of the United States in many important industries. Faced therefore with a large deficit in its balance of payments on current account, a solution for which could be found through a massive investment programme for making up the technological lags, the United States opts instead for keeping interest rates so high that they can only have the opposite effect of discouraging such investment. Perhaps it is the rise in the relative share of wages that makes this the preferred policy (because monetarism is a form of class war that appeals to vested interests), but it is not by any means impossible that the stupidity of this will be obvious very soon and a different policy based on the borrowing of petro-dollar funds at lower rates of interest for productive investment will replace it.

This is not to say that there will be no major crisis of the kind witnessed in the 1930s. The power of the financial oligarchy could prove to be the stronger, and there are enough sources of instability in this sphere to precipitate a major crisis at any time. All that is being suggested is that there is enough clarity of perception in countries like France, Germany and Japan that, once the hollowness of the monetarist approach is reconized in the United States and the United Kingdom (and that seems nearer now than it appeared a year ago), a more sensible policy for salvaging western capitalism could be found. This would require not so much a reduction in the share of wages as an increase in the share of *industrial* profits and a reduction in the share of profits accruing to *rentier* interests in general and *financial* interests in particular. (There is reason to believe that the share of the financial sector in the gross profits of corporate business sector has risen over the last few years in some countries like Britain from less than one-sixth to over two-fifths).

A further feature of the contemporary situation is that, while the domestic investment of non-financial corporate business has shown signs of decline, the foreign investment of this sector has shown considerable buoyancy. This appears to be linked with the tendency to shift many production processes to countries in which labour is available at lower wage rates. As a recent study relating to West Germany points out, the division and sub-division of the production process is now so advanced that most of these fragmented operations can be carried out with minimal levels of skill easily learnt within a short period of time; and the development of techniques of transport and communication has created in many cases the possibility of complete or partial production of goods at any site in the world. Without closely examining these technological possibilities and the related questions of organization it is not possible to say how far the present period is a transitional phase to a qualitative transformation in international capitalism. This may of course create a major crisis later, but the immediate task is to understand better what is happening now and what its short and medium-term implications are.

Much more serious than the failure to bring out these dimensions of the crisis now in the capitalist world is the rather complacent analysis of what ails the post-revolutionary societies. I do not dispute at all the considerable achievements of countries falling in this category, and am indeed one of their admirers. But I do believe that, unless their failures and limitations, and the present tendencies in many of them, are viewed without ideological blinkers, and without fear of openly expressing their logical implications, the mere assertion that socialism is poised for victory over capitalism does not carry one very far.

The paper refers to the "well-tested principle of balanced and

proportionate development which should give proper place to heavy and light industry, industry and agriculture, town and country, accumulation and consumption, material and cultural life"; that its violation is one of the major causes of temporary crises in the socialist world. But this is one of the principles that Mao Zedong had throughout emphasized, and done more to implement faithfully in China than anywhere else. How come then that serious disproportionalities in development have nevertheless taken place even in China, such that today the accumulated stocks of steel there are reported to be of the order of 20 million tonnes? Is it not necessary to ask the question whether there is something in the present organization of socialist societies, and the conflicts of interest within them, that tends to stimulate unbalanced and disproportionate development?

Even more remarkable, and to my mind escapist, is the failure in the paper to even mention the very important set of questions that have been raised by as eminent a Marxist scholar as Paul Sweezy. Since his writings have received very little attention in India, and Namboodiripad has also ignored them, let me give a few quotations from Sweezy's recent book, *Post-Revolutionary Society*, to indicate how much more seriously the present crises in the socialist world ought to be taken by Marxists.

...the generally accepted Marxian interpretation of modern history leads us to expect that capitalism will be overthrown by proletarian revolutions, and that these revolutions will establish socialist societies. The theory, in fact, is so taken for granted as a reliable clue to what is happening in the world that every society which originates in a proletarian (or proletarian-led) revolution is automatically assumed to be and identified as a socialist society.

And this is where the anomalies begin. None of these "socialist" societies behave as Marx—and I think most Marxists up until quite recently—thought they would. They have not eliminated classes except in a purely verbal sense; and, except in the period of the Cultural Revolution in China, they have not attempted to follow a course which could have the long-run effect of eliminating classes. The state has not disappeared—no one could except it to, except in a still distant future—but on the contrary has become more and more the central and dominant institution of society. Each interprets proletarian internationalism to mean support of its own interests and policies as interpreted by itself. They go to war not only in self-defense but to impose their will on other countries—even ones that are also assumed to be socialist.

All of this, I think, is now fairly obvious; and of course it is raising havoc among socialists and communists. I think it is no exaggeration to say that by now the anomalies have become so massive and egregious that the result has been a deep crisis in

Marxian theory.

What is the way out? One way, which is clearly being taken by some Marxists, is to throw out the whole theory, abandon Marxism altogether, and retire into a state of agnosticism and cynicism—if not worse. But the trouble with this is that Marxism works as well as ever—and I would even say better—as a way of understanding the development of global capitalism and its crisis. ... The part of Marxism that needs to be put on a new basis is that which deals with the post-revolutionary societies (with which, of course, Marx and Engels had no experience).

Paul Sweezy characterizes post-revolutionary societies, exemplified mainly by the Soviet Union, as neither capitalist nor socialist, nor (as Trotskyists maintain) a transitional society between the two which has been temporarily stalled by a bureaucratic deformation. In this context he points out how the emergence of a ruling class in the Soviet Union, and its effort to preserve the monopoly power and privileges has affected the performance of the Soviet economy itself.

What was needed, as socialists have long contended, was a radically different attitude towards work and workers, involving the workers in decision-making at all levels of the economy and society, and encouraging them to take upon themselves the task of humanizing the work process as the collective responsibility of free men and women. ... This ruling class, in keeping with what we know about its origins and nature, opted for a very different course, that of depoliticizing the working class, depriving it of all means of self-organization and self-expression, and turning it into a mere instrument in the hands of an increasingly powerful state. ... the preformance of the Soviet economy, even in purely quantitative terms, has for some time now been lagging behind its leaders' ambitions and the potential of its human productive resources. Attempts are being made to turn the situation around by massive imports of capital and sophisticated technology from the advanced capitalist countries, but the real problems are human and social, not technological. ... It would perhaps be too much to say that post-revolutionary society, as represented by its oldest and most advanced exemplar, has reached a dead end. But at least one can say that it seems to have entered a period of stagnation, different from the stagflation of the advanced capitalist world but showing no more visible signs of a way out.

But none of this kind of questioning, even if one has good reason to disagree, receives mention in Namboodiripad's paper. It offers instead what appears to be all too faithfully an apologia behind a facade of self-assurance. The intellectual attitudes which it reflects

may be of some help in the short run but can only cause greater disillusionment in the longer run.

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Burking the Issue

I AM grateful to K N Raj for his comments on my paper, "General Crisis of Capitalism", presented at the Trivandrum seminar on "World Capitalist Crisis and Revolutionary Perspectives" on 20 March 1982. I hope this will be the beginning of that exchange of views on important problems between the academics and political activists which is of tremendous importance today for integrating theory and practice. The questions raised by Raj in his comments, including his reservations on Marx's theory of law of the falling rate of profit and what he calls the new contributions made by Paul Sweezy to Marx's thought, can then be subjected to further discussion. I would, therefore, reserve my views on these questions and confine myself here to the subject matter of the points raised in my paper.

The opening comment made by Raj is that I follow "generally the traditional treatment of this question in Marxist literature". I plead guilty to this charge. My experience in practical revolutionary work extending to almost half-a-century, as well as whatever theoretical study I have made, has convinced me that the "traditional treatment" of Marxism-Leninism is the only method that any intelligent student can adopt in order to analyse the state of world capitalism today.

This, however, is not to suggest that Marxist thought has come to an end with what Marx wrote. Engels's preface to the English edition of *Capital*, as pointed out in my paper, was a clear example of applying Marx's theory to the conditions that developed after Marx. The idea propounded by Engels had to be carried forward further in the new phase of capitalist development, which was done by Lenin. After Lenin too, those who followed in the footsteps of Marx, Engels and Lenin had to develop the Marxist doctrines of political economy. Even today, the process continues. What I have attempted in my paper is to collect in a brief summary this entire teaching of Marxism on political economy, as it has been and is being collectively developed by Marxists-Leninists throughout the world.

The very title of my paper, let me remind Raj, is "General Crisis of Capitalism" which, as was noted in my paper, "is a phase in

the history of developing capitalism in which the crisis is no more confined to the economy but embraces politics, ideology and all other aspects of social life”.

As an illustration of the concrete manner in which this general crisis of capitalism is applicable to India, I had pointed out in my introductory speech at the seminar that not only is the capitalist planning in post-independence India ending in a fiasco, but the political system, that is, parliamentary democratic institutions, have faced, and are continuing to face, a serious crisis. In the socio-cultural sense too; I went on, various fissiparous forces are assuming dangerous proportions, dissipating all the gains made by the people during the decades of the freedom struggle.

The growth of fissiparous forces which disrupt national unity, the erosion of moral values and corruption, the collapse of democratic system — these manifestations of crisis in non-economic spheres, together with the collapse of the economy, indicate the general crisis of capitalism in India. The same is true of every capitalist country where the bourgeois system is in an all-round crisis.

Raj wants me to abandon this approach towards the all-round crisis and confine myself to the economic crisis of capitalism in detail. While declining to do this, I would point out to Raj that I had underlined the significance of what is known as *stagflation*, a phenomenon different from the cyclical or periodical crises noted and analysed by Marx. Let me quote what I wrote in this context:

As opposed to the successive phases of stagnation, prosperity, overproduction and crisis, which come one after the other in a cycle as in the early years of capitalism, a permanent crisis has set in with unemployment, shrinkage of the market, and so on, going hand in hand with monetary, price and other forms of inflation. Instead of one or the other of the two sets of crisis phenomena which used to appear earlier, both affect present-day capitalist society simultaneously.

Within this framework of stagflation, of course, the cycle goes on, recession alternating with acute inflation. Each cycle, however, is more painful, more protracted, the recovery and prosperity being incomplete, with continuing elements of depression. The dilemma arising out of this situation and faced by every country in the capitalist world — developed as well as “developing” — is seen in the fiasco of “Reaganomics” now in operation in the United States, the most powerful developed capitalist country, as also in the crisis of planning in such a “developing” country as India. The managers of the economy in both sets of countries have to choose between two evils — either unemployment, slower rates of production, shrinkage of the market, and so on, or monetary and price inflation leading to deficit budgets, unfavourable balance of trade and

payment, and so on. The sufferers in either case are not only the working people but the entire economy of the nation concerned.

It is regrettable that Raj, in his comments, does not make any reference to this aspect of the situation. Does he accept this as a significant part of the reality today? If he does, what according to him is the root of this phenomenon? My "traditional Marxist treatment" of political economy has helped me to give a coherent explanation for this phenomenon:

(a) In the early days of capitalism which was being studied by Marx, the cyclical crisis was the form in which the contradictions of the economy came into the open and were solved.

(b) Those were the days when capitalism was expanding all over the world. The richest of the major capitalist countries could conquer new countries and use their control over and exploitation of these countries for finding solutions to the cyclical crisis. This, however, came to an end approximately by the end of the nineteenth century when the entire globe came to be divided among the major capitalist powers.

(c) This was the new phase of capitalism analysed by Lenin in his *Imperialism*. The entire globe having been brought under the control and exploitation of the major capitalist powers and the productive capacity of capitalism increasingly growing, these powers were forced to fight among themselves for a redivision of the globe for securing raw materials, markets, places to which surplus capital could be exported, and so on.

(d) One of the consequences of the expansion of capitalism throughout the world and the fight among the major capitalist powers for a redivision of the world was the awakening of the people of colonial countries. Imperialist wars among the capitalist powers thus gave rise to national revolutionary wars. Hence the highly significant political conclusion drawn by Lenin that imperialism breeds imperialist wars as well as socialist and national revolutions, heralding a revolutionary restructuring of society.

(e) The course of the First World War proved Lenin right. It gave rise to a number of revolutions in Europe and Asia. The most important of them, of course, was the Russian Revolution which was the first crack to appear in the world system of capitalism. The Russian revolution, repeated itself in Germany and some other capitalist countries, though they were all suppressed. As important as this, however, was the outbreak of national revolutionary upsurges in several countries, including India.

(f) With this began a new phase in the development of capitalism in which the two opposing systems—capitalism and socialism—fought between themselves throughout the world. No method was unresorted to, no weapon spared, in the struggle between the two

camps. Together with the contradictions among the major imperialist powers, this led to the Second World War in which imperialist powers of one group were in the end obliged to ally themselves with the Socialist Soviet Union in order to defeat the other group. This was followed by an unprecedented expansion of the socialist part of the world. The great Chinese Revolution of 1949 deserves particular mention. The result is that between 40 and 45 per cent of humanity is in the socialist world today.

(g) These developments forced the imperialist powers that were victorious in the Second World War to loosen their hold on the colonies that they owned. In the course of two decades after the end of the war, almost the entire colonial world became politically free. The new ruling classes of these countries used their power over the state machinery to safeguard their own (national and class) interests against imperialism. At the same time, conflicts started developing between the new ruling classes and the common people in these countries.

(h) The expansion of socialism in the world and the political independence won by the former colonial countries further narrowed the area of operation for world capitalism at a time when the scientific and technological revolution still further expanded the productive powers of capitalism requiring expanding markets. Hence the new phase of unprecedented crisis for capitalism known as *stagflation*.

Does Raj dismiss this analysis of the general crisis of capitalism as "traditional Marxist treatment"? If he does, what is his "non-traditional" treatment of the subject? How does he explain the phenomenon called *stagflation*? How did it originate and why is it the common feature of all the major capitalist countries today? Why is the problem of unemployment assuming alarming proportions in every capitalist country? Has Raj any rational scientific explanation for the fact that, while in the entire capitalist world unemployment is increasingly becoming an insoluble problem, it is far more painful for the people of the Third World countries like ours which have started developing capitalism without breaking the fetters of the pre-capitalist society?

As for Raj's comment that my "analysis of what ails the post-revolutionary societies" is "complacent", let me point out to him that I have in my paper dealt with the problems and difficulties faced by the socialist countries. I made particular reference to Poland. I, however, do not ascribe these difficulties to anything inherently wrong in the socialist system, as Raj assumes with Paul Sweezy as his authority. I ascribe the difficulties in the socialist countries to two factors.

Firstly, the socialist countries are not islands in the ocean. The happenings in the capitalist world reflect themselves in the

socialist world.

Secondly, due to the failures in policies pursued by the state and party leadership in the socialist countries, the laws of socialist development sometimes get violated.

With regard to the first factor itself, I have pointed out the crucial role of the emergence of the "military-industrial complex" in the capitalist world which forces the socialist world to divert valuable resources from development to defence. The socialist countries are thus objectively interested in peace, the need for defence preparedness forcing a slowing down in their development.

Furthermore, the *stagflation* that has become characteristic of the economy in the capitalist countries gets reflected in the socialist countries, though socialist planning can reduce its impact.

My conclusion is that, while despite these limitations the development in the socialist countries is far more satisfactory than in the capitalist, it would have been still greater if the aggressive war-mongering activities of imperialism can be curbed and if the state and party leadership strictly observes the laws of socialist development.

Let me in the end refer to Raj's advice to me that my "intellectual attitude may be of some help in the short run but can only cause greater disillusionment in the long run". May I, however, point out to him that the 65 years that have elapsed since the appearance of the first crack in the capitalist system have proved the bankruptcy of many—including such intellectual giants as J M Keynes—who sought to "save capitalism" from its crisis, to create "crisis-free capitalism"? Does Raj want to join that company? I do not.

I hope that Raj who talks of the importance of "systematic empirical analysis"—on which I have no difference with him—will extend his own empirical analysis of a particular phase in the crisis of capitalist *economy* to the much wider *general crisis* of capitalism. I am sorry that he is burking this central issue of the day. He is missing the wood (general crisis) for the trees (a particular phase of the economic crisis).

Comments on K N Raj's Paper

EVEN though K N Raj's paper does not deal with mine, his comments bear directly on a good deal of what I have said. I would like therefore to make a few observations on his paper. His comments can be grouped under three main headings: (1) on the question of the rate and share of profits, (2) on the nature of the capitalist crisis and (3) on socialist countries and their crisis. I propose to discuss each of these *seriatim*.

(1) K N Raj argues that the decline in the rate of profit in the 1970s compared to the earlier post-war years is not necessarily a decline of the kind that Marx had postulated, so that "it is still an open question whether the present economic crisis in the capitalist countries of the West is of the kind Marx had in mind". Raj, I am afraid, is pushing against an open door here. To my knowledge, no Marxist has claimed that the present capitalist crisis is simply a reflection of Marx's law of the declining tendency of the rate of profit. Indeed, many Marxists like Victor Perlo emphasize particularly as a feature of the current crisis the fact that the profit rate in the United States of America has of late "gone through the ceiling". Of course, profit-rate statistics are tricky; Perlo's comment is for 1981 while Weiskopf's work is for an earlier period; to what extent they contradict one another, and what exactly has been happening to the profit-rate in the USA are matters that, in any case, need not detain us here. The point is, Marxists do not regard the current capitalist crisis as necessarily involving a fall in the profit-rate, let alone a fall in keeping with Marx's famous law.

Indeed, they would be poor Marxists if they did so. For whatever be the precise status of Marx's famous law under conditions of competitive capitalism, and there is a good deal of debate on this, one thing is clear: to expect statistically a fall in the rate of profit for the reasons adduced by Marx under conditions of monopoly capitalism would be completely absurd. Under monopoly capitalism characterized by the fixing of prices by powerful oligopolists, in the face of any increase in the organic composition of capital, the oligopolists would seek to maintain their rate of profit by jacking up their profit margins and thus reducing the wage-share. The sequel would

be an inflationary spiral owing to trade union resistance, which, of course, would have other implications in turn. So, even if a rise in the organic composition of capital is what precipitates a crisis, this rise *per se* would never manifest itself directly in a fall in the rate of profit under conditions of monopoly capitalism. So, not only have Marxists not identified the current crisis with a fall in the rate of profit, not only have they not invoked Marx's law for explaining any fall in the rate of profit, but what is more, such an invocation, they have been perfectly aware, would be grievously wrong under conditions of monopoly capitalism.

Raj's comment about the rise in wage-share, as shown by Weisskopf, may appear to contradict my argument about a rise in the rate of surplus value; so a clarification is necessary. Quite apart from the possible conceptual differences underlying the two sets of statistical findings, my figures relate to an earlier period and are in accordance with Baran and Sweezy's conclusions as well. My purpose is to examine why the inflationary spiral began and I argue that it began because, among other things, the workers were losing out earlier in terms of the manufacturing sector's value added. Once it had begun, what happened to the relative shares is a different matter altogether. Indeed, there is a very good reason why the wage-share may appear to have risen in the early 1970s. To the extent that inflation is accompanied by recession, since recession does not immediately lead to large-scale retrenchment, that is, since the wage-bill is, to a large extent, a fixed cost in the short run, its immediate impact would be a fall in profit-share. This is evident, for instance, in the 1975 slump when despite a sharp drop in output the increase in unemployment was nowhere of a comparable order of magnitude. Of course, when the recession persists, it affects unemployment more substantially. In any case, my argument is unaffected by Weisskopf's figures.

(2) Raj appears to attribute the crisis essentially to the pursuit of monetarist policies in the U S A, a fact which, according to him, is explicable by the growing power of financial interests as well as by the attractiveness of monetarism as a weapon of class war in a situation of a rise in wage-share. It is this which makes him think that once the stupidity of monetarism becomes obvious, "a more sensible policy for salvaging capitalism could be found". I am afraid both his diagnosis as well as his prognosis are open to serious objections. The crisis pre-dates the oil price hike as well as the emergence of monetarism as a tenet of official policy. It is not only the Marxists who assert this. A host of distinguished and serious non-Marxist scholars, including Kaldor of Cambridge, share this view. And in any case the facts are clear enough. The tremendous upsurge of inflation began in the late 1960s, carried forward first by enhanced money-wage claims and subsequently by a boom in commodity prices

which culminated in the oil price hike. The crisis of the international monetary system was linked to this and in turn accentuated it. Keynesianism proved completely bankrupt in tackling this inflationary upsurge. The standard Keynesian remedy was an incomes policy; continue maintaining a high level of activity but tackle inflation through an incomes policy: this was the Keynesian advice, which was acted upon by the governments in the capitalist countries for a while. Raj may recollect Nixon's famous declaration that he had been converted to Keynesianism. It was only after Keynesianism was tried and it failed that monetarism gained ascendancy. So to attribute the crisis to monetarist policies, and to suggest, at least by implication, that capitalism had some alternative policy for managing the crisis which got sabotaged by the powerful pressure of high finance seems to me to be completely untenable.

My differences with Raj on his prognosis spring from this. The "stupidity", if one may call it that, of monetarism may become clear soon enough; but what is to take its place is by no means clear. Two comments here are in order: first, unlike Keynes who believed that the world is ruled by little else but ideas, I share the Marxist view that the very success of particular ideas is determined by the material interests they serve. All kinds of clever schemes may be devised on paper for resolving the current crisis but their success would depend upon their acceptability to the ruling classes. This is precisely what determined the success of Keynesian ideas. Indeed, long before Keynes wrote his *General Theory* in 1936, Keynesian measures were being adopted, for the purpose of militarization of course, in several advanced capitalist countries; the most notable example was Japan where Finance Minister Takahashi had started full-fledged demand reflation without ever having heard of Keynes. Keynesianism only legitimized these measures by giving them a theoretical foundation. So what we have to look at in assessing the prospects of recovery in the advanced capitalist countries in the foreseeable future is not the existence of clever or well-intentioned schemes, but what sort of measures the ruling classes themselves are contemplating. And here one is struck by the absence of anything new.¹

Secondly, this fact itself is not very surprising. One important difference between the crisis of the 1930s and the current crisis lies in the fact that the former was of such a kind that almost everybody stood to benefit from a recovery. The workers could benefit because of larger employment; the industrial magnates could benefit because of larger capacity use and hence profits; even the rentiers had actually nothing to lose from a recovery though for a while they thought they had. Keynesianism may be ideologically anti-rentier. But Keynesian policies, especially when the emphasis was on fiscal as opposed to monetary weapons, could hardly harm the rentier interests. On the

contrary, debt-financed government spending would be beneficial to the rentiers and enlarge their strength. Raj, who presumably believes with Steindl that Keynesianism was anti-rentier, must ask himself the question: how is it then that rentier interests got so strengthened as to defeat Keynesianism and usher in monetarism, as he himself argues, precisely during the decades when Keynesian measures were the accepted policy of the day? Obviously because Keynesianism, despite its anti-rentier ideology, was not in practice anti-rentier.

The current crisis however is one from which a recovery is not a "non-zero sum game" unlike in the 1930s. If it was only a recession, the matter would be different. But combined with it, and basically underlying it, is an inflation. Inflation is essentially the manifestation of a class conflict. Conflict situations do not admit of simple, clever remedies, more or less acceptable to all. Which is why "stupid" remedies like monetarism are being tried; which is why capitalism does not appear as yet to have any other options; which is also why the working class in many countries is listening increasingly to only those voices that call for large-scale nationalization of the means of production.

All this of course does not mean that capitalism is finished for good. On the contrary, I am arguing that precisely because of the intensified conflict underlying the crisis, capitalism can find a solution for it only if it manages to "discipline" its workers, raw material producers, and so on. This is not easy for it to achieve; but try it must to achieve this. The question therefore is not some astrological prediction about whether capitalism would resolve its crisis or not, but a practical one of whether the working class, the Third World countries and so on, would allow capitalism to overcome its crisis at their expense. The issue is not an abstract but a concrete one. It ultimately boils down to this: are we going to allow capitalism to overcome its crisis?

(3) Lastly, on the question of socialist countries and their "crisis", it is obvious that the economic difficulties which many of them are facing cannot be talked about in the same breath as the "crisis" of the capitalist world; they belong to entirely different realms of discourse. Even such a crude economic indicator as the growth of industrial output which I quote in my paper tells two entirely different stories for the two systems. Even in 1981 itself, the Soviet Union had a 3.2 per cent growth of GDP, a bit lower than the previous year, but way above the negative growth rate of the capitalist world.² The decline in the growth rate in many socialist countries in recent years is attributable partly at least to the emergence of labour shortages. GDR is a prime example. The necessity for sophisticated technology springs partly at least from this fact, which underlines the contrast between the two systems, one characterized by millions "officially" declared unemployed and further millions unofficially so, and the other suffering

from more or less acute labour scarcity. All this is so well-known that one hardly needs to repeat it here.

This basic contrast in the functioning of the two systems cannot be glossed over by any honest social scientist, however disturbed he may be about the contrast between the promise and the reality of socialism. Both contrasts of course have to be analysed and explained. "Traditional" Marxism which Raj criticizes at least attempts to do so. But Sweezy's concept, "neither capitalist nor socialist", does not even attempt it; it is singularly useless in explaining either of the two contrasts³. How is our understanding of the Soviet Union and others advanced one iota by being told that they are "neither capitalist nor socialist"? How are we in any better position to fight for "genuine" socialism by this theoretical "advance" on Sweezy's part? Coining a term is no substitute for analysis. And moreover, since this term is supposed to replace whatever analysis we currently have, coming from "traditional Marxists", it is theoretically retrograde, quite apart from its political and other implications.

Sweezy's intention is to rescue Marxism by revising it, by "putting on a new basis" that part of Marxism which deals with "post-revolutionary societies". He uses the authority of Thomas Kuhn to justify this project as a scientific advance. I believe however that this entire project constitutes not a rescue but an abandonment of Marxism. It is based on a surprisingly faulty appreciation of Kuhn, of Marxism, as well as of the relationship between the two. Kuhn is essentially a relativist whose position is irreconcilable with the Marxist theory of knowledge⁴. Marxism is not a random series of observations, but an organically-linked unified body of ideas. What Marx has to say about socialism is organically linked to what he has to say about capitalism; you cannot revise the one without revising the other. If you nevertheless did so, as Sweezy proposes, then you would be only falling back to what Marx called the "pauper's broth" of eclecticism, which would be a complete negation of Marxism. Marxism can be developed, as Lenin did, to examine concrete developments; it cannot be revised, patched up, altered at will without being negated and without landing us in eclecticism.

Sweezy of course is not the first person to say what he does about Soviet society. The idea that Soviet society is characterized by class exploitation was put forward over half a century ago and has been so often discussed and debated since then that it is perhaps unnecessary to go over that ground again, which is why I have not discussed that basic question here and have confined myself only to certain obvious problems of Sweezy's theoretical project. While this project amounts in my view to an abandonment of Marxism and I sharply disagree with it, the fact that I hold a great deal of his other writings in high esteem should be abundantly clear to the readers of my paper.

If these comments on Raj's paper have turned out to be at least as long as his paper itself, that is indicative only of the importance of the issues he has raised,

- 1 K N Raj's reference to the work of Otto Kreye and others (the Starnberg Group) regarding the possibilities opened up by the shift of production processes from advanced capitalist countries to the Third World is rather intriguing. The Starnberg Group argues that this is what caused the capitalist crisis; Raj seems to believe that this is what would cause a recovery from the crisis. In any case, the ideas of the Starnberg Group have been subjected to a detailed critique in C P Chandrasekhar, "Imperialism and Industrialisation in the Underdeveloped Countries: On the Significance of the 'New International Division of Labour'", paper presented at the seminar on "Lenin and Contemporary Imperialism", New Delhi, October 1981.
- 2 This growth estimate for the Soviet Union is contained in the report of the Economic Commission for Europe, reported in *The Statesman*, Delhi, 18 March 1982.
- 3 There is a curious parallel between this concept and the concept used by Sweezy in the debate on the transition from feudalism to capitalism, "neither feudal nor capitalist" which was attacked by Dobb and others. For a critique of Sweezy's position in that debate, see Utsa Patnaik, "Neo-Marxian Theories of Capitalism and Under-development: Towards A Critique", paper presented at the seminar on "Lenin and Contemporary Imperialism", New Delhi, October 1981.
- 4 It is instructive in this context to see what Kuhn himself has to say about the relationship of his work to Marxism: "Examining the vexing cases, for example, psychoanalysis or Marxist historiography, for which Sir Karl (Popper) tells us his criterion was initially designed, I concur that they cannot now properly be labelled 'science'. But I reach that conclusion by a route far surer and more direct than his", T S Kuhn, "Logic of Discovery or Psychology of Research?" in Imre Lakatos and Alan Musgrave (ed), *Criticism and the Growth of Knowledge*, Cambridge, 1974, p 7. A detailed critique of Kuhn's ideas is contained in Rajendra Prasad, "A Critique of Kuhn's Paradigm Theory of Scientific Change" (mimeo).

BOOK REVIEW

A HISTORY OF U S ARMED INTERVENTIONS, USSR Academy of Sciences, Moscow, 1980, 2 vols; vol 1, pp 214 and vol 2, pp 206, with bibliography (Problems of Contemporary World Series).

THERE are today some 500,000 United States servicemen stationed all around the world. They are located permanently in some 1,500 military installations and bases located in 32 countries. Most of these bases are ringed around the Soviet Union and one base at Guantanamo Bay is actually located on the territory of Cuba. There can be little doubt that far from protecting the security of the U S, these bases are the linchpins of the American global policy to ensure imperialist hegemony. An American study conducted some years ago pointed out this aspect of American foreign policy when it drew attention to the fact that the U S had, on an average, used force or threatened to use force, seven times per year in its 200-year-old history.

There is little new in what the volumes under review have to say. A lot has been written about the American propensity to use armed force as an instrument of its foreign policy. However, coming as they do in the 1980s, these volumes serve an invaluable purpose in bringing together in an analytical framework this dismal facet of that great Republic. The rhetoric of the 1980 election in the U S brought out clearly the continued American commitment to this heretofore useful instrument of their policy. It goes without saying that in the present global context, the almost sentimental attitude of sections of the American ruling class towards reliance on the use of force in international relations marks a most dangerous phase for the world as a whole.

Most of the articles contained in the volumes concentrate on the period after the 1890s and provide a composite picture of the U S in the stage of monopoly capitalism evolving into an imperialist power. This stage can be viewed in two parts. One is that of the U S transforming itself from a "trading partner" into a regional policeman in Latin America, and the other, the U S emerging as the dominant imperialist power in the world, beginning from its abortive intervention against the young Soviet state in 1918.

American efforts in the nineteenth century were towards expanding its trade around the world and ensuring, by cooperation with the European powers, that American traders had an "open door" around the world. While contradictions between the American bourgeoisie

and the European colonial empires were often apparent through the nineteenth century, they never manifested themselves in any particularly serious antagonistic form except at the end of the century with Spain. The victory over domestic reaction reflected in the defeat of the Confederacy freed the bourgeoisie from all domestic constraints and resulted, in the space of a few decades, in the emergence of monopoly capitalism. The Spanish-American war brings out clearly the picture of a bourgeois state jumping into the imperialist phase, which seems to us to be a text-book example substantiating Lenin's theory on the inter-connection between capitalism and imperialism. It is in viewing the consequences of this conflict, that is, in the case of Cuba and the Philippines, that some of the best essays in the volumes can be seen.

Around the time Lenin was putting many of his ideas into practice, one of the great bourgeois ideologues, Woodrow Wilson, was presiding over the destiny of the U S. On the strength of his verbal commitment to the anti-monopoly progressive movement as well as for his enunciation of the 20-point programme as a basis for a new international order that Wilson has often been projected as a counter to Lenin. While Wilson's dubious commitment to the anti-monopoly cause is outside the scope of this review, his consistent violation of all of his own stated norms of international behaviour, especially with regard to the Western Hemisphere, brings out the hypocrisy upon which his 20 points were based. During his terms as President, the U S used armed forces against Mexico (1914 and 1916), Cuba (1917), Nicaragua (1912), Dominican Republic (1916) and Haiti (1914). All these interventions were on behalf of American business interests and based on the flimsiest of pretexts.

With this background, it was not surprising that the "pedagogical" imperialist Wilson was taken aback when a different version of internationalism was propagated by the Russian Revolution in 1917. Wilson was one of the first bourgeois leaders to realize the danger that the Bolshevik ideology represented to the bourgeoisie, and soon, in concert with other imperialist powers, he set out to throttle the new Soviet state. The essay by Lyudmila Gvishiai outlines the steps taken by the U S against the new government. Beginning with a diplomatic boycott, the Americans, with other Allied powers, actually landed troops on the Soviet soil in 1918 on the pretext that they were attempting to shore up the Eastern front against Germany. Their joint operations with the reactionary White Guard armies and their continued activity even after the surrender of Germany make the nature of their intervention clear.

These volumes, for obvious reasons, have concentrated on American military interventions in Latin America; however, there are several useful essays on American interventionist policies in China, Korea, the Philippines and Vietnam. The last named country

suffered the most devastating effects of U S military power. The Philippines case has received comparatively less attention. After having projected themselves as liberators, the U S soon turned against the well-developed liberation movement against the Spanish rule in that country. While the liberation movement had borne the brunt of the struggle against the Spanish oppressors, it soon found itself confronted with a well armed and equipped American expeditionary force which eventually numbered some 70,000. After a protracted struggle by such Filipino leaders as Aguinaldo, Luciano San Miguel, Miguel Malavar, Apolinario Mabini and Macario L Sakay, Philippines resistance was crushed and the country annexed by the U S. Yulia Levtovna has brought out clearly the complex nature of the U S policy in the Philippines as well as the response of democratic and nationalist elements in that country. The studies on U S interventionist policy in the Pacific Basin have considerable contemporary importance as the U S today is evolving a new "Pacific Basin policy" to replace the older one shattered by their defeat in Vietnam.

In a similar way, the volumes under review also help in providing a perspective on the present U S foreign policy trends in all the regions of the world. The roots of American policy towards El Salvador, Nicaragua, Cuba, the Soviet Union, Vietnam and other countries, based as it is on violent rhetoric and, given the opportunity on violent action, are a continuing thrust of a monopoly capitalist state in its moribund stage. Only when viewed in this context can we realize that armed force will continue to be a crucial element of American policy. The experience of the Vietnamese and Cuban revolutions which underwent a protracted struggle with a post-nuclear U S military machine, brings out very clearly that this force can be checked through united anti-imperialist actions around the world.

As in all works, there are deficiencies in the volumes under review, which need to be pointed out. Some are purely technical such as the lack of an index and the lack of standard spellings; the name of President McKinley is often spelt as "MacKinley". Some errors are more glaring: the name of Richard Hofstadter, the noted American historian, has been spelt as "Richard Hofotootler". There are also, in our opinion, some errors of conception which are largely confined to an essay co-authored by a noted Soviet scholar, Genrikh Trofimenko. In an essay on American recourse to military intervention, Trofimenko and Edvard Ivanyan fail to present a clearly Marxist-Leninist view of the evolution of the new stage of international politics with the growth of bourgeois ideas. The American reliance on armed force in the international area in the early nineteenth century is not remarkable in itself, given the prevailing norms of the times. What is important is the need to focus on the qualitative shift that occurred on the use of force with

the rise of the bourgeoisie both in Europe and in the U S. This was the era which can be demarcated by the French Revolution and the Napoleonic wars in Europe. One of the deficiencies of the volumes under review is that they do not clearly correlate the U S policy to the evolution of U S capitalism from its nascent to moribund stage, occupying, as it did, the entire nineteenth century. Till the end of the nineteenth century, the U S cannot be viewed as a purely imperialist power, using the Leninist criteria. Undoubtedly, the U S did exhibit a propensity to use force throughout its history; this can be ascribed to a particular buoyancy of a rising bourgeois state and an aggressiveness which has marked the emergence of the bourgeoisie. For a fuller understanding, several other factors must also be considered. It would be fruitful to examine the internal contradictions in the U S. Undoubtedly, the major contradiction was the one between the slave-owning South and the industrial North. Further, the factors that led to the evolution of the doctrine of "Manifest Destiny" in the mid-1840s—essentially that of a North American continental domination by the U S—require a deeper analysis instead of being glossed over as an intrinsic impulse of a predatory bourgeoisie. While it is true that the greed for land played a crucial role in the continental expansion of the U S, it was also intrinsically linked to the sharpening of the contradictions that led to the Civil War. The elements of the racial ideology that drew its sustenance from the atavistic Anglo-Saxonism and, in the later half of the century, from the pernicious theory of Social Darwinism, also require a Marxist-Leninist appraisal. The interaction between the bourgeois and pre-bourgeois ideology in the American context deserves more detailed attention than has been given by Trofimenko and Ivanyan.

These two volumes have served an invaluable purpose in bringing several contemporary trends in perspective. However, the possibility of expanding this work may be worth exploring. While all the major events connected with American military interventions have been covered by these volumes, a more "encyclopaedic" effort would have brought to the forefront such diverse events as the American naval action against the "Barbary pirates" in the nineteenth century and the despatch of the Seventh Fleet to the Bay of Bengal in the 1971 India-Pakistan war. In the post-nuclear era, and, if one may say, the post-colonial era, there are several instances of nuclear blackmail on the part of the U S that have not been adequately documented. It may be pointed out in conclusion that in today's context the threat or the actual use of armed force carries qualitatively more dangerous implications for the world. A study like the one under review provides a signal service in helping us to understand this phenomenon and thereby prevent a global holocaust.

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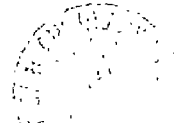
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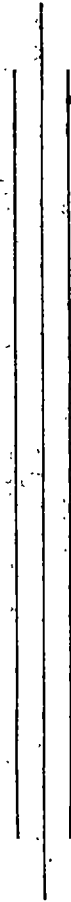
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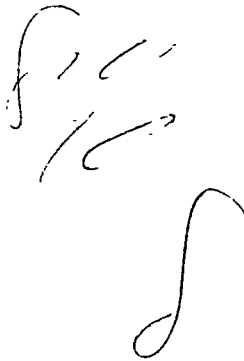
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Marxism and the General Theory of
Relativity ☐ The Congress and the
Revolutionaries ☐ Human Rights Phase
of American Foreign Policy

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Articles, note and reviews express the views of the authors and not necessarily of the editors or of the Indian School of Social Sciences.

Editorial Note

IDEALISM has many hues. The denial of the validity of scientific findings altogether, as for example on the question of evolution, is only one of its hues. In another hue, it may accept a particular scientific finding or hypothesis, but use it to bring the Almighty in through the backdoor. In yet another hue, which is the current fashion, it appears as relativism. From the lack of finality of scientific theory, from the fact that any given theory is superseded by some new theory, the relativists jump to the conclusion that we can never know anything about the world. What we think of as knowledge at any particular point of time is only a set of beliefs we happen to hold at that point, a set that will inevitably be replaced by another set at some future moment. There is no progress in this sequence, no process of approximation, albeit an infinite process, towards absolute truth. Indeed there cannot be, according to relativism, any objective truth independent of our consciousness which we can arrive at through science. Relativism denies any truth-content to science. It is of course diametrically opposed to the materialist theory of knowledge upheld by Marxism which holds that "every scientific truth, notwithstanding its relative nature, contains an element of absolute truth".

It is imperative for Marxism to wage a struggle against idealism of all hues, including in particular relativism whose latter day adherents are no longer confined to parsons and clerics but include some highly sophisticated and erudite academics of the advanced capitalist countries. Their ideas invariably acquire currency and fashion in backward countries like ours with a time lag. So it is essential for us to come to grips with their ideas, however esoteric and far-removed from us they may appear at the moment. And this is

what Kishore Theckedath tries to do in the lead article of the current number. A whole range of idealist views, allegedly based on Einstein's theory of relativity, are being propagated today; his birth centenary was used indeed as an occasion for letting loose a flood-tide of idealist outpourings. Theckedath surveys these in detail and of course critically. His contribution is important and should arouse interest.

The article by S. K. Mittal and Irfan Habib on "Congress and the Revolutionaries in the 1920s" highlights the complex relationship between the two major streams of the national movement. With a host of documentary evidence, they show that while the revolutionaries commanded considerable respect and support within the Congress rank and file and even among a section of the Congress leadership, notably Nehru and Bose, they consistently faced implacable opposition from Gandhi. The article, among other things, gives an interesting insight into the crucial role of Gandhi in ensuring bourgeois hegemony in the national movement; he of all the Congress leaders saw with the greatest clarity the necessity for combating the revolutionaries, being aware that any concession to the revolutionary position would imply that the movement would "get out of hand". This awareness led him to take a stand which was morally repugnant, though couched in high moral tone, but politically astute from the bourgeois point of view.

Manoj Joshi's study of Carter's foreign policy, particularly in its first phase when it adopted the hoity-toity language of "human rights", shows clearly how underneath the moral packaging it was essentially a continuation of the old foreign policy framework in a post-Vietnam, post-Watergate world. Indeed, the very change brought about by Vietnam and Watergate entailed that the old foreign policy could not be sold in its old packaging. A new "human rights" cover was necessary, though it was bound to wear thin pretty soon, as in fact it did.

Lastly, the note by Girija Rani and Sudershan Reddy draws upon the findings of a field study to show the arduous nature of female labour in rural India. Rural women, according to their findings, work many more hours per day than men (inclusive of house-work) so that the number of "standard" work days that women put in during a year is much larger than the corresponding number put in by men. Given the miserable lot of the male agricultural labourer, the wretchedness of the female worker can be well imagined. The merit of the note lies above all in the figures it provides, which should be of interest to all, and especially those fighting the oppression of women.

Marxism and the General Theory of Relativity

THERE are currently frantic and worldwide attempts by the bourgeois ideologues to use the name of Einstein to propagate idealist views ranging from creationism to agnostic relativism. Attempts have been made to persuade the lay public that the universe is finite in extent, that there was a moment of creation, thus to parade one more 'proof' for the existence of the creator.

Through an interpretation of the theory of relativity as a form of relativism, it has been made out that most of the laws of physics are a matter of convention. Lenin had noted as far back as 1922 that "the theory of Einstein who... is himself not making any active attack on the foundations of materialism, has already been seized upon by a vast number of bourgeois intellectuals of all countries; it should be noted that this applies not only to Einstein, but to a number, if not to the majority, of great reformers of natural sciences since the end of the nineteenth century".¹

The validity of Lenin's assertions is illustrated by most of the popular literature on the subject of the general theory of relativity which is replete with examples wherein the ideas of 'birth of time' and 'birth of the universe' are portrayed as being a consequence of the theory of relativity.

In the present essay we examine some of the popular interpretations of the general theory of relativity to show how they arise from the limitations imposed by an outmoded world outlook. There is no question, as Engels said, of building the laws of dialectics into nature, but we shall see how the general theory of relativity further confirms dialectical materialism — the broadest generalisation of the forms of motion of matter, society and thought.

General Theory

The general theory of relativity is the name that Einstein gave to his theory of gravitation. The name is unfortunate, as we shall see, but it has become entrenched in the literature and we shall therefore refer to this theory as the General Theory of Relativity.

*Teaches mathematics at Wilson College, Bombay.

It was shown by Galileo that the acceleration of a body under gravity does not depend on its mass or composition or structure. This is a very important result and the whole of the General Theory is based on this proposition of Galileo.

Einstein's principle of equivalence goes beyond the above principle of equal fall. Galileo's principle tells us that by using any *mechanical process* it is impossible to distinguish between a gravitational field and a field due to acceleration such as within an accelerating lift. This is because all bodies will have the same acceleration in such fields. Einstein generalised this and said that it is impossible by *any physical process whatever* to distinguish between such fields.

It is shown in the General Theory that a gravitational field is associated with the nature of the geometry in the region of the field. Einstein identified the gravitational field with the non-Euclidean nature of the geometry. The scheme of the General Theory is the following: from the way the gravitating bodies are distributed, we calculate the geometrical structure of the space by using Einstein's field equations. Then we find the geodesics (shortest paths) in this space. Free test bodies travel along geodesics. Thus we can calculate the paths of bodies in gravitational fields.

Einstein published his theory of gravitation in 1916, first applying it to the solar system. Here the major mass is the sun, and the geometry is decided mainly by this. The field equations of Einstein are very complicated and cannot be solved in their generality. However, by assuming that the geometry is *symmetric* around the sun the equations can be solved. Einstein showed that the theory led to the following three main consequences:

(a) The path of a ray of light near the sun is bent to 1.7 seconds of arc (one/two thousands of a degree), thereby correcting his earlier estimate by 100 per cent.

(b) The paths of planets are not closed ellipses but elliptical curves turning slowly round the focus. In the case of Mercury this accounted for the discrepancy of 43 seconds of arc per century. This was very close to the observed results.

(c) Light emitted from the sun and received on the earth will be redder in comparison with the light emitted by identical atoms on earth. This is called the gravitational red shift. This has been verified.

All the three predictions of Einstein's theory have been verified to a very high degree of precision. Apart from these three crucial consequences, Einstein's theory predicted a new phenomenon called gravitational waves,

A number of scientists making astronomical observations have come to the conclusion that "the only straightforward interpretation of the data is that gravitational waves exist and carry energy away from an orbiting system at the rate predicted by general relativity".²

The general theory of relativity has indeed been confirmed to a very high order.

The Dialectic of Relative and Absolute

As compared to Newton's theory, Einstein's theory of gravitation represents a revolutionary advance in man's understanding of the phenomenon of gravitation. The four tests, viz, the bending of light rays, the red shift due to gravity, the precession of the orbit of Mercury and the existence of gravitational waves, demonstrate that Einstein's theory gives us a more complete picture of the motion of matter under gravity. By giving an entirely new orientation to the study of motion, Einstein's theory overcomes the ambiguities involved in Newton's theory, such as instantaneous action at a distance.

However, the relation between Einstein's theory and Newton's theory is not one of mere opposition and negation. Einstein's theory subsumes Newton's theory and specifies the limits within which Newton's theory is valid. While generalising the latter, the new theory also makes the earlier theory more specific. Thus it is not merely a matter of mechanical negation where the original is just destroyed without a trace. Rather, it must be emphasised that Einstein's theory *bases itself* on Newtonian gravitation.

This relation between Newton's theory and Einstein's theory exemplifies the law of the relative and the absolute in cognition. It is one of the basic tenets of dialectical materialism, vindicated by all the developments in science, that matter is inexhaustible in its properties. As Lenin put it, "the electron is as inexhaustible as the atom, *nature is infinite*".³ Since matter is inexhaustible in its properties, the cognition of the properties of matter is also an infinite process. Engels has described the process of acquisition of knowledge and shown how through imperfect knowledge man proceeds to more accurate knowledge.

Recognising the infinite nature of matter, Engels says: "The cognition of the infinite is therefore beset with double difficulty and from its very nature can only take place in an *infinite asymptotic process*".⁴

As opposed to this, there is a tendency among idealist philosophers to point to the lack of finality of physical theory and thereby sink into a relativism which says that we can never know anything about the world. Referring to this tendency Lenin observed, "All the old truths of physics, including those which were regarded as firmly established and incontestable, prove to be relative truths—hence, there can be no objective truth independent of mankind. Such is the argument not only of the Machists, but of 'physical' idealists in general. That absolute truth results from the sum total of relative truths in the course of their development; that relative truths represent faithful reflections of an object independent of mankind; that

every scientific truth, notwithstanding its relative nature, contains an element of absolute truth — all these propositions, which are obvious to anyone who has thought over Engels' *Anti-Duhring*, are for the 'modern' theory of knowledge a book with seven seals".⁵

Einstein's theory of course represents a higher level than Newton's in our cognition of the phenomenon of gravitation, because although it bases itself on Newton's theory and extends and generalises it, in so doing it also specifies the limitations of the theory. Similarly, being but a stage in our cognition of the world, Einstein's theory also cannot be a final description of reality, but must give way to a further theory which in its turn generalises and specifies Einstein's theory.

At the same time we must note that failure to recognise the full rational core of Newton's theory has led to misconceptions by others about the nature of relativity in Einstein's theory of gravitation.

Space and Time

The problems of space and time have held the attention of philosophers and scientists from ancient times. From these, two major views emerged: the idealist view which considered space and time as independent entities existing prior to the existence of matter, and the materialist view which took space and time as depending on matter and its motion. Thus the Pythagorean Archytas considered that "since everything which is moved is moved in a certain place, it is plain that the place where the thing moving or being moved shall be, must first exist. Perhaps it is the first of all beings, since everything that exists is in a place and cannot exist without a place".⁶

It is remarkable that Aristotle took the opposite stand on the question of space and time. He recognised the objective reality of space and time and contended that spatial properties and relations were inseparable from things, having no existence outside matter.

Newton believed that there was an absolute space independent of matter in which all bodies moved as though in a receptacle and that time flowed like a stream independently of all material processes. It was in this absolute framework of space and time that he developed his mechanics.

The famous eighteenth century philosopher Immanuel Kant argued that space and time were concepts that were not derived from experience, but were somehow already rooted in the mind prior to any experience. Hence they did not reflect the actual relations between things.

The work of Lobachevsky, Bolyai, Gauss and Riemann showed that Kant's assumption that the rules of geometry were absolutely true and admitted of no possible exceptions was not correct. Kant

had pinned all his arguments on Euclid's geometry. Einstein's theory showed that the kind of geometry that obtained at any one point of time depended on the distribution of matter and its motion. It was one of the profound consequences of the theory of relativity that it established the connection between space, time, structure and matter, and decisively demonstrated that space and time reflect the objectively existing properties and relations of material phenomena.

This is the position of dialectical materialism. Engels had pointed out in the last century that the notion of space and time existing apart from, and independently of, matter was an example of metaphysical thinking. Space and time are abstractions from matter in motion. They are forms of existence of matter. Apart from matter they have no reality.

As forms of existence of matter, the theory of relativity tells us how space and time are structured. For the best way to describe an object is to give its internal structure. It is one of the deep implications of the theory of relativity that it shows that the structure of space and time is given by material processes, that is, by matter in motion.

Minkowski had shown that what was absolute was not space or time but space-time, whose elements are events. Thus it is better to begin with space-time and then to go to space and time. The basic concept here is that of an event. An event is an abstraction, just as in ordinary geometry point is an abstraction. A point is an abstraction of a body in which everything is abstracted away except position. This means that we choose to ignore the colour, size, shape etc, of the body and concentrate on its position. Needless to say, the object taken is small in the context of the problem.

In the same way the concept of event is an abstraction from a phenomenon. An event is a phenomenon from which everything has been abstracted away except its occurrence. An event can be called a world point, following Minkowski. The set of all world points is the set of all events or occurrences. We can call this set space-time.

According to the theory of relativity the basic structure of space-time is provided by the motion of matter. Every event in some manner or the other affects other events and is in turn affected by other events. *Effect is motion connecting one event with another*, with the cause-effect relationship invariant in relativity. Hence the set of all events can be given a structure by means of the physical process of motion and an axiomatic construction of space-time is possible by starting with world point and effect as basic concepts. Thus space-time can be defined as "*the set of all events in the world abstracted from all its properties except those that are determined by the effect of some events upon others*".⁷

Space can now be defined as a section of space-time. A point in space is nothing but a particular series of events connected by

effect relations. Similarly an instant of time can also be defined.

The history of the development of non-Euclidean geometry and Einstein's theory of gravitation provides an illustration of the solution of a dialectical contradiction and the movement of thought from a lower to a higher level. Another comparable development is from formal logic to dialectical logic.

Formal logic restricts all its operations to the field of invariable relations and the invariable contents of the forms of thought with which these operations are performed. It further restricts itself to the sphere of sign systems (sign languages). Bourgeois philosophers fail to recognise that while language is one sphere of the expression of thought and is indeed the 'immediate actuality of thought', language is not its only actuality. Another reality of thought is *human practice and its results*.

It is Marx's great service to the theory of knowledge that he recognised the importance of human practice and its role in transforming the content of thought. Under human practice thought is constantly changing and passing from one level to a higher level. This is manifested in the contradictions that arise at nodal points in the development of thought. Formal logic cannot adequately deal with this.

Human practice in relation to Renaissance art, to the problems of perspective, and projective geometry led to a re-examination of the postulates of Euclid's geometry and the development of non-Euclidean geometries.

Einstein's theory further transformed the content of thought and raised geometrical truth to the level of description of material objects and their relations. Thus we now say that in the neighbourhood of the sun Euclid's geometry is not true. While geometry started as a description of reality, in relation to the measurement of land, it took a long course of development in which most of its concepts underwent a change of content, and now in Einstein's theory it comes back at a higher level to describing the properties of matter and its relations.

In contradiction to formal logic, which can deal only with concepts that are well formed and fixed in their content, dialectical logic deals with concepts in their movement.

"The hypothesis proposed by dialectical logic on the development of scientific knowledge is that this development proceeds by means of resolving contradictions which necessarily arise at nodal points in the general progress of science, at the borderlines of a theory that is developing according to certain laws. In the new theory the contradictions of the previous theory are not *eliminated*, they are transcended (*aufheben*) in the Hegelian sense, that is, their positive content is retained and they no longer appear in their initial form of a logical contradiction. ...Dialectical logic suggests that a statement

consisting of the conjunction of two contradictory statements cannot be cast aside on formal grounds; but must be studied with a view to discovering beyond this formal contradiction the essential contradictions".⁸

Dialectics recognises the dynamic aspect of thought which tends to pass over into new forms with such rapidity that the new ideas reflecting reality appear to be mad ideas.

Idealistic Interpretations

Einstein's theory of gravitation has been subjected to different idealistic interpretations. One of the first attempts was to show that the theory implied that matter had disappeared. One of the nice properties of Einstein's field equations is that they contain also the equations of motion. If we assume that things are smooth, the paths that free particles should follow under gravity are also determined by the geometry of the space-time. Given the structure of space-time, it was argued by idealist philosophers like Eddington, that matter was just the curvature of space-time. Matter was identified with those mathematical quantities which were solutions of differential equations. Since mathematical equations are constructs of the mind, it was made out that matter is derived from the mind. "Matter is something that Mr. X knows".⁹

The argument fails to understand that the field equations only reflect the gravitational behaviour of matter. Nor does it take into account other aspects, e.g., that there are fields other than gravitational in which matter is manifested. The attempt is to replace matter by one of its aspects, and further by the mathematical quantities that reflect that aspect. As Lenin had pointed out, such philosophical idealism "is a *one-sided*, exaggerated development (inflation, distension) of one of the features, aspects, facets of knowledge into an absolute, divorced from matter, from nature, apotheosised".¹⁰

Even supposing that Eddington had shown that the gravitational field equations were the final description of reality in all its aspects, it still does not follow that matter had been reduced to solutions of a differential equation, or had disappeared. "The sole property of matter with whose recognition philosophical materialism is bound up, is the property of *being an objective reality*; of existing outside the mind".¹¹ Eddington would still have to show that the gravitational field did not exist outside the mind.

The fact of the matter is that the gravitational field is no less real than the electromagnetic field which we produce and operate in radio transmission. Human practice proves the reality of these fields. The generation and detection of gravitational waves is very much on the agenda of experimental physics today.

Another attempt to distort the results of Einstein's theory came from the neo-conventionalists and positivists, like Reichenbach, who

maintained that the main conclusion of the theory of relativity is that "many statements which were regarded as capable of demonstrable truth or falsity were mere definitions."¹² This he tried to maintain by showing that statements about space measurement and time measurement were merely a matter of 'coordinative definition'.

With different assumptions about the speed of light, for example, one could have a different concept of simultaneity. Thus, according to him, it was a matter of convenience to make one assumption rather than another. Reichenbach fails to realise that no matter how we define simultaneity, it is not possible to include as simultaneous two events which are causally connected. To be more specific, suppose A and B are two events such that A causes B. Then no matter what assumption we make about the two-way speeds of light, we cannot define simultaneity in such a way that A is simultaneous with B. *There are restrictions even to our conventions.* There is some objectivity to our definitions, and definitions reflect objective reality.

Alexandrov¹³ has made the situation very clear:

"One author even claimed that Einstein's achievement lay in clarifying the need for an agreement as to what events should be considered simultaneous. If taken literally, the statement is absurd, of course, since one may *simply agree* to consider any events as simultaneous. The point is that a concept definition has some meaning only when it reflects something essential and is not just a matter of convention. The task of a genius is to grasp the essential and express it in a definition. Simultaneity in Einstein's definition is not something conventional, but a very general real relationship of events objectively determined by their intersection through radiation".

The Principle of 'General Relativity'

Yet another manifestation of the idealist trend in physics is the unwarranted importance given to the notion of relativity in Einstein's theory of gravitation. This is reflected in the name *general relativity* given to this theory.

While the Special Theory of Relativity demonstrated that the measurements of space and time depended on the motion of the inertial frame, it also established that the four dimensional interval which was obtained from these measurements was an absolute quantity. It was the signal contribution of the mathematician Minkowski to show that all observers in uniform motion would get the same value for the interval.

Idealism always stresses the relativity of knowledge and undermines the absolute elements in our cognition of reality. The distinction between subjectivism and dialectics, as Lenin had succinctly made clear, is that in dialectics the difference between the relative and the absolute is itself relative. For objective dialectics there is

an absolute *within* the relative. For subjectivism and sophistry the relative is only relative and excludes the absolute.¹⁴

According to the special theory of relativity all inertial frames are equivalent, for all physical phenomena proceed identically in all inertial frames of reference. This is a genuine physical principle of relativity.

It must be noted that this principle of relativity reflects an absolute property of space-time. If all frames of reference are equivalent this reflects a uniformity of structure. It means that space-time is uniform. We shall use the term *Galilean* to denote the uniformity of space-time in this sense. This principle of relativity describes the fact that the space-time of the Special Theory of Relativity is Galilean.

In trying to formulate his theory of gravitation Einstein had to deal with a wider system of coordinates, having to work with accelerated frames as well. He wrote down his equations in such a form that they would hold in all coordinate systems. From the equality of acceleration of falling bodies he showed that locally a field of gravity was indistinguishable from a field of acceleration, the principle of equivalence being valid only locally. Einstein then assumed the global validity of the statement and concluded that *all* frames of reference were equivalent. This is the so-called general principle of relativity.

One of the important properties of gravitation as given by Newton's theory is that it fades away at infinity. For a system of masses the gravitational field is such that it drops away with distance, with the result that space-time at infinity is Galilean. *This is a part of the rational core of Newton's theory which it is very important not to overlook.* The term, *at infinity*, refers to the problem in hand, e.g., "for an atom or molecule a distance of the order of a micron can be considered infinitely great, for the solar system a light year, for the galactic system a thousand million light years."¹⁵

Thus if we are considering the earth, its field must fall off with the distance from the centre. This has an important consequence for Einstein's experiment with the lift. While it is true that for small regions (small lift) a field due to gravity is indistinguishable from a field due to acceleration, this is not true for large regions.

Let us consider a lift 500 miles tall resting on the earth. The acceleration of a falling body in it will be greater near the floor than near the ceiling. This is because the ceiling is farther away from the centre than the floor is. Thus what we have is a *non-uniform* field. Now if we consider an accelerating lift of the same size, the field inside would be uniform. The acceleration will be the same near the floor. This shows that *we can distinguish* between acceleration and gravitation, and that the principle of equivalence is only true locally.

It is unfortunate that Einstein extended the notion of equivalence

to extended domains and assumed the equivalence of all frames of reference. Such equivalence is not warranted by any experiment, and in fact the concept of an extended accelerated frame of reference is untenable. "...a non-local physical definition of an accelerated frame of reference is impossible, because a box, rigid scaffolding, etc., of the kind used by Einstein represents an idealisation which is only applicable in an inertial frame of reference, and not in accelerated frames."¹⁶

Is it true that physical phenomena proceed identically in all frames of reference? Is the general principle of relativity in the sense of physical equivalence of all frames of reference true? The answer is no. As Fock makes clear, "...physically the general principle of relativity, in the sense that corresponding processes exist in arbitrary reference frames, does not hold at all. Therefore, Einstein's conclusion that all reference frames are physically equivalent is without foundation".¹⁷

The so-called problem of Mach has its roots also in this error. It is first assumed that all frames of reference are equivalent. This means that 'rotating' frames and 'non-rotating' frames are equivalent. And then one tries to find out the physical cause for the difference one sees in a rotating frame.

Suppose there are two globes of liquid at a great distance from each other situated in otherwise empty space. An observer on each globe sees the other globe as rotating about the common axis. However, one of the globes has a perfectly spherical shape, while the other has a bulging shape and is an oblate spheroid. Why this difference? Why is a centrifugal force experienced in one frame and not in the other? This is Mach's question. The answer lies in pointing to the basic mistake in assuming that the rotating frame is equivalent to the non-rotating frame.

Cosmology

Einstein was the first to apply the General Theory of Relativity to the study of the structure of the universe. It must be stated here that the object of cosmology changes from period to period depending on the fragment of the world that is available to cognition at that particular level of human practice. The world is infinite and inexhaustible, and at any stage of human practice science deals with that fragment or aspect which is singled out or isolated by the empirical and theoretical means available at that time. Einstein's universe consisted in 1918 of the fragment now called our galaxy (the Milky Way) which is a system including a hundred thousand million stars.

The universe (Milky Way) appeared to be, by and large, a static structure with an even distribution of stars. By making an extreme abstraction one could think of the stars as smeared out in a uniform

density throughout space. What was the structure of this space?

The General Theory of Relativity shows that the nature of space-time depends on the distribution of matter. Under the assumption that there is no large-scale motion and that matter is evenly distributed, Einstein solved his field equations and obtained a "model of the universe". According to Einstein's model, space curved upon itself and had a finite volume, and the universe was finite in extent though it had no boundary. This is the so-called finite yet unbounded model of the universe.

Einstein's field equations are differential equations, and notoriously, such equations do not have unique solutions — they have an infinity of solutions. Particular meaningful solutions are obtained by making additional assumptions. Einstein's finite but unbounded model was one such solution obtained by making the unreasonable assumption that the universe was static.

The Soviet scientist, A. Friedman, showed in 1922, that another model of the universe was possible as a solution of Einstein's field equations, namely, an evolutionary model in which it was not assumed that the universe was static. In this model the different parts of the universe were moving away from each other at a definite rate. In this sense the universe was "expanding".

It goes to the credit of Einstein that he was one of the first to welcome this as a great step forward in cosmology. Einstein was trying to reconcile the situation of a non-zero average density of matter with an infinite universe. Would the universe not collapse under its own weight? He had tried introducing a repulsion factor in his field equations, and the static model we referred to above was the result. Friedman's solution was a breakthrough.¹⁸ His result then found confirmation in Hubble's discovery of the expansion of the stellar system.

Hubble's Law

In the twenties of the present century astronomers found that beyond the Milky Way were other systems of stars and gaseous matter arranged in galaxies. A fuzzy patch in the northern night sky which was originally considered to be a part of the Milky Way was found to be a spiral galaxy consisting of a hundred thousand million stars at a distance of about two million light years. And this galaxy (of Andromeda) happens to be the closest galaxy to ours!

Hubble was working with the new universe consisting of hundreds of galaxies, studying the spectra of the light coming from these distant galaxies. While the pattern of lines in the spectra were the same as from the nearer cosmic bodies, towards the red end of the spectrum these lines shifted, the red shift depending on the distance of the galaxies as measured by their brightness. The percentage-red shift was proportional to the distance of the galaxies.

Roughly speaking, the farther the galaxy, the redder the light received from it.

Since light is a wave motion, and the frequency of vibration of red light is less than the frequency of vibration of violet light, a shift towards the red end of the spectrum means that the frequency of the received light is less than the frequency of the corresponding light from nearer sources. Why is the frequency reduced in this manner?

One interpretation is the so-called Doppler effect. For example, as a fast train approaches a point the pitch of its whistle is high and shrill. Once past the point, there is a sudden drop of pitch as the train draws away, that is, the frequency of the received sound is less when the train is receding. Or if a man on a ship going from India to England decides to post a letter each day, the successive letters having longer distances to travel, the frequency of their receipt will be less than one per day. This in essence is the Doppler effect.

The red shift of the lines can be interpreted as due to the drawing away of the distant galaxies. This Hubble's discovery in this context can be explained if we assume that the Universe is expanding uniformly in all directions. And this is what the Friedman model predicts.

The Big Bang Model

The Friedman 'model of the universe' is derived from Einstein's field equations with certain assumptions about the symmetry of the universe. It is a mathematical model, in the sense that it consists of mathematical relations describing the large scale geometry of the world. With the mathematical relations are associated two quantities, 'S' which gives the expansion factor, and 'k' which gives the nature of the space geometry, whether Lobachevsky's, Euclid's or Riemann's. Thus within the Friedman model, by taking different values for the function 'S' and the constant 'k', several possibilities emerge.

One of the possibilities is the model known as the big bang model, which can be described as follows: Since the galaxies are all drawing away, in the past they must have been closer and hence the density of the universe in the past must have been higher. Since Hubble's law gives the rate at which the galaxies are receding, one can work backwards to the period when all the galaxies were together, and the density of the universe was infinite. It is assumed that the universe at this time was packed into a point and it came into existence in a big explosion.

The $t=0$ is taken as the event of creation, prior to which there existed no universe, no observers, no physical laws. Everything suddenly appeared at $t=0$. The age of the universe is defined as the cosmic time which has elapsed since this event, and is estimated at around 10,000 to 15,000 million years.

Opposed to this model of the universe is the so-called 'steady

state model', proposed by Hoyle and Narlikar. In this model there is no point corresponding to the creation of the universe. The galaxies are drawing away, but new galaxies are being formed in the space between the galaxies, and so there is no overall decrease in density. The universe is the same at all epochs. The density was the same in the past as now, and so the question of infinite density does not arise.

One of the implications of the big bang model worked out by G. Gamov is that the densities in the past must have been accompanied by high temperatures. As in the remote past the universe was dominated by radiation, a consequence of the expansion must be a drop in the radiation density. Gamov predicted that some of this radiation from the time of the creation of the universe should still be found and should be expected from all directions in the universe.

Such a radiation was discovered by two scientists, Penzias and Wilson in 1965 and it is this radiation coming from all directions that is paraded as *the echo of the Creation*. This experimental observation put a dark shadow on the steady state theory and gave a boost to the big bang theory.

Assumptions of the Big Bang Model

The big bang model has given rise to a lot of misunderstanding as regards the nature of the world and its history. Misinterpretations of the model have been propagated in support of the religious and metaphysical view point, and the year of the centenary of Einstein saw the biggest output of such propaganda.

While the General Theory of Relativity is elegant and avoids the ambiguities of Newtonian mechanics, its equations are very difficult to solve in their most general form. Besides, there are solutions of the field equations which do not square with facts. Therefore it was necessary to make certain reasonable assumptions before the equations of relativity could be solved.

Two such assumptions are the Weyl postulate and the Cosmological principle. Both these are very important assumptions about the behaviour of the universe, about the motion of galaxies and clusters of galaxies.

The Weyl postulate is that space-time in the large is such that we can separate out a universal time from it. On the basis of certain assumptions a universal time for the whole universe can be defined, i.e., a common time for all the galaxies. This time is called the epoch.

The Cosmological principle is based on two assumptions: homogeneity and isotropy. The assumption of homogeneity which states that at any time (epoch) the distribution of matter in the universe is homogeneous, i.e., taking a large enough unit of volume, the number of galaxies per unit volume is the same everywhere. This

is an assumption based on the observations of the parts of the universe accessible to our instruments today.

The assumption of isotropy states that at any given epoch the universe has the same features in all directions and there is no favoured direction. Isotropy is also based on the observations of the structure of the universe open to us today.

The Friedman model, and in particular the big bang model, depend on the Weyl postulate and the Cosmological principle. The big bang model also depends on the observation of the red shift and Hubble's law. But basically it depends on the hypothesis of the infinite validity of the General Theory of Relativity,

To these assumptions we must also add the further assumption which is tacitly made by most astronomers, namely, that the part of the universe that we can observe today is representative of the rest of the universe. If we call the part accessible to us, the Friedman universe, as the metagalaxy, this assumption states that *there are no* surprises outside the galaxy, i.e., METAGALAXY = UNIVERSE.

Untenable Assumptions

The assumptions of homogeneity and isotropy are untenable in the face of present day observations.

Recent observations have shown that not only are the stars part of systems called the galaxies, but galaxies are part of clusters of galaxies and superclusters of galaxies. Non-homogeneity of different forms comes to light as we penetrate deeper into the universe.

The galaxies themselves (which in most cases may be considered fairly autonomous, isolated systems) are not distributed in space at all uniformly but form a gigantic number of groups and clusters and there are weighty grounds for considering that the universe of galaxies form what are known as superclusters. The fundamental property of the real universe, therefore, is likely to be a non-homogeneous distribution of matter.

The Weyl postulate is also inapplicable to the Universe as a whole. In particular, the concept of a single world-time or epoch can be applied only within fairly limited bounds in the metagalaxy and Weyl's postulate therefore becomes an oversimplification.

This is not to argue against all singularities, or against an explosive or cataclysmic origin for this part of the universe, the metagalaxy. Indeed, all processes in nature indicate sharp breaks and discontinuities at different stages. The idea of *leap* is fundamental to the dialectical understanding of phenomena. It is a basic feature of the dialectical development of matter that quantitative changes go over into sudden qualitative changes at nodal points or stages. There are non-homogeneous and non-isotropic solutions of the General Theory which also have singularities.

It is quite likely that the metagalaxy came into existence from

the explosion of a superdense nucleus. "The 'relic radiation' suggests that in the past the density of the metagalaxy might have been a thousand million times the density of ordinary matter. This raises a further question: is the General Theory of Relativity valid under such conditions?"

A. More General Theory.

The General Theory is based on the equality of fall of all objects in a gravitational field. This law has been verified to high degrees and approximations by the experiments of Eotvos and Dicke. But it must be pointed out that these experiments were undertaken within certain limits of the existence of matter. No checking of this law under the extremely high temperatures and superdense states described above has been done. Hence the insistence that the General Theory holds under arbitrary conditions is only a manifestation of the mechanistic outlook which believes in the finality of the laws of nature as revealed in the sciences.

With the development of astronomy, the General Theory of Relativity will also undergo further generalisation and specification like its predecessor Newtonian mechanics. A more general theory of gravitation will at the same time specify the limits within which the General Theory is applicable. Already the theory of relativity is unable to explain the tremendous outburst of energy from the nuclei of the galaxies. As Narlikar said, being an out and out attractive theory, the General Theory of Relativity cannot explain why the galactic nuclei appear to be exploding rather than imploding. We might recall what Engels said exactly a century ago, "where there is attraction, it must be complimented by repulsion".

Gravitational fields appear to be seats of tremendous amounts of energy. This is reflected in the negative sign we attach to the potential energy in the field. The Hoyle-Narlikar theory relates the formation of new matter and new galaxies to the withdrawal from this negative reservoir of energy. The concept of negative energy is also seen in some theories of the position.

Negative energy, it appears, reflects the infinity of the motion of matter. The concept of infinite self energy is bothering the physicist working with elementary particles. It would appear to be a fundamental property of matter that its motion is infinite. The statement, "the electron is as inexhaustible as the atom, nature is infinite", should also include in its scope *inexhaustible motion*.

But the greatest criticism against the big bang theory is that it identifies the metagalaxy with the universe. This is again the result of the influence of the mechanistic world outlook. The tendency of mechanistic materialism is to impose simple mechanical motions to the complex phenomena of the world, and to claim the finality of these mechanical laws. But, in the words of Lenin:

“Human knowledge is not (or does not follow) a straight line, but a curve, which endlessly approximates a series of circles, a spiral. Any fragment, segment, section of this curve can be transformed (transformed one-sidedly) into an independent, complete, straight line, which then (if one does not see the wood for the trees) leads into the quagmire, into clerical obscurantism (where it is *anchored* by the class interests of the ruling classes). Rectilinearity and one-sidedness, woodenness and petrification, subjectivism and subjective blindness — *voilà* the epistemological roots of idealism. And clerical obscurantism (= philosophical idealism) of course has epistemological roots, it is not groundless; it is a sterile flower undoubtedly, but a sterile flower that grows on the living tree of living, fertile, genuine, powerful, omnipotent, objective, absolute human knowledge.”¹⁹

The big bang model of the universe is one such sterile flower, for it rules out any investigation of the universe beyond the so-called moment of creation, the singularity ‘where all theory breaks down’. It is necessary to go into the roots of the idealistic interpretations of the theory of the origin of the metagalaxy, as also into the idealistic interpretations of the General Theory of Relativity.

The universe is infinite and it is infinitely old. All attempts to circumscribe the universe and to limit it to the fragment that is available to cognition at a particular stage of human history, have their roots in the class interests of the ruling classes. Bruno was burnt at the stake not because he preached that the sun was fixed and the earth was moving; Copernicus did that too. But unlike Copernicus who retained the Aristotelian idea of the finite universe, Bruno preached that the universe was infinite in time and space. This was pagan in the extreme, since it attacked the very idea of creation. A finite universe, like a machine with a finite number of parts, is convenient to the ruling classes, since it gives scope for the Hand that set the whole thing going.

Engels once described certain type of bourgeois intellectuals as graduated flunkeys of clericalism. The interpretations of science as evidence for a creator should be seen as an attack on the revolutionary working class and progressive movement and the outcry during the centenary year should be understood as the loyal declamations by these flunkeys. In this task of exposure the role of dialectical materialism is paramount.

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The Congress and the Revolutionaries in the 1920s

THE Indian National Congress was the biggest political organisation in the country. Under Mahatma Gandhi's leadership the Congress transformed itself into a fighting machine wedded to *Swaraj*, 'Dominion Status' and finally 'Complete Independence'. It remained in the vanguard of freedom struggle working overtly to achieve freedom from the British. The revolutionaries, although working covertly, fought with courage and determination to wrest freedom from the British hands. The twin movements of the revolutionaries and the Congress, with all their differences of ideology, philosophy, ways and methods, were aimed at a common goal, i. e., the achievement of freedom. However, they differed widely in the conception of freedom. In fact, the national movement in India takes two distinct forms. The revolutionaries of the 1920s represented the anti-imperialist stream and exhibited their uncompromising opposition to all forms of imperialism. For them national liberation meant political freedom as well as an end of economic exploitation and inequality, while for the other stream national liberation meant political freedom and economic compromise with imperialism. The two streams often mingled indistinguishably in the national movement.¹

These two currents in the national struggle for freedom were, complementary in nature, strengthened each other and, undoubtedly, both played a significant role in mass awakening and national upsurge in India. "If Gandhi-Nehru (Congress) and the Socialist and Communist parties gave a decisive shape to the Indian freedom struggle, Lala Hardayal's *Ghadr* Party and later Bhagat Singh's Hindustan Socialist Republican Army and the countless sacrifices of brave revolutionaries had an equally decisive role to play."²

Before the emergence of Gandhi at the epicentre of Indian politics and as the *el supremo* of the Congress the revolutionaries discovered their fount of inspiration in the extremist 'trio' of the Congress—B. G. Tilak, B. C. Pal and Lajpat Rai.³ In fact, both shared many things in common. The national revolutionaries came from

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the same democratic petty-bourgeois intelligentsia from whose ranks emerged the trend of militant nationalism. Their socio-economic background was the same. They shared in common a disenchantment with the 'pray-please-petition' policies pursued by a section of the national movement. They were inspired by the same ideological influences to a degree. They shared the realisation that the interests of the Indian people and the colonial rulers were irreconcilable. They favoured in common the urge for direct action and militant forms of struggle against the government. However, the national revolutionaries, obviously as the next step, went ahead of the militant nationalists in their belief in the inevitability of armed struggle⁴ to overthrow the yoke of colonial rule and in their impatience to launch such a struggle.

A large number of revolutionaries were also active in the Congress.⁵ Their influence in the national organisation was so great that C. R. Das thought it fit to bring about a meeting between Gandhi and the revolutionaries in September 1920 so that the latter were persuaded to halt their activities and support the Gandhi led movement of non-co-operation.⁶ While the non-co-operation movement was in progress, no major terrorist activities were planned. The failure of the non-co-operation movement brought to the fore the controversy over means — non-violent or violent means — to be employed for furthering the national objective of freedom. Barring Gandhi and his disciples, most of the Congress leaders did not make a fetish of non-violence. Mahatma Gandhi was the most uncompromising in decrying the violent creed. As he was the virtual dictator of the party, his opinion counted most within the Congress. But there were other young leaders of national stature in the Congress party who certainly had a soft corner for the revolutionary young men. Among these Jawaharlal Nehru and Subhas Chandra Bose were prominent. Any reference to the activities of the revolutionaries on the Congress forums revealed the cleavage in outlook, and open demonstration of sympathy for revolutionaries was visible in Congress conferences. A survey of the period under study would clearly show that a large part of the Congress cadre was always sympathetically inclined towards the revolutionaries and their daring exploits. Many of the Congress leaders even made common cause with the Naujawan Bharat Sabha, an open organisation of the revolutionaries.

Mahatma Gandhi and the revolutionaries both shared the resentment against the enervating British rule. *Satyagraha* and non-violence were Gandhi's tools of struggle, while the revolutionaries discarded his "philosophy of non-violence as a philosophy arising out of despair".⁷

Gandhi, while launching his first mass movement in 1920-21, appealed to the revolutionaries to desist from their activities for one year⁸ and co-operate with him. The revolutionaries who had

been waging a relentless struggle against British imperialism stopped their movement to give a fair chance to the Gandhian experiment. But seeing the embarrassing end of the movement, they were "thoroughly disgusted with Gandhi who had made a fetish of non-violence".⁹ Sachindranath Sanyal informed Gandhi that "now the experiment is over and therefore the revolutionaries are free from their promise, or, as a matter of fact, they promised to remain silent only for a year and no more".¹⁰ Despite the co-operation extended by the revolutionaries the Mahatma remained hostile to their method. He even said that a "revolutionary's sacrifice, nobility and love are not only waste of effort, but being ignorant and misguided, do and have done more harm to the country than any other activity. For, the revolutionaries have retarded the progress of the country".¹¹ Gandhi was infuriated when C R Das praised the courage and sacrificing spirit of Gopinath Saha. A resolution was moved at the AICC at Gandhi's instance in June 1924, which characterised Saha's action as misguided love of the country and disapproved emphatically of all political murders as inconsistent with the Congress creed. This resolution could be passed by 78 in favour and 70 against.¹² Though Gandhi won, he considered the passing of the resolution by a razor thin margin as his defeat. He declared himself as 'Defeated and Humbled'.¹³ The voting pattern exhibited the amount of sympathy the Congressites had for the revolutionaries in the face of open opposition of Gandhi.

Polemics between Gandhi and the Revolutionaries

During 1924 and 1925 the revolutionaries and Mahatma Gandhi entered into polemical arguments. In his presidential address at the Belgaum session of the Congress, Gandhi characterised revolutionary crime as the "insane pressure of anger and ill will", far less effective than the "pressure of non-violent acts born of goodwill and gentleness".¹⁴ On behalf of the revolutionaries Sachindranath Sanyal addressed an 'open letter' in defence of the revolutionary creed. He held Gandhi guilty of persuading "the whole nation to accept the spirit of *Ahimsa* irrespective of *desh* (place, environment), *kal* (time) and *patra* (recipient)...which was a matter of individual *Sadhana* (spiritual practice) with the Indians".¹⁵ Sanyal hit hard at Gandhi's vagueness about India's ultimate political goal, i.e., self-government. He quipped, "A sovereign, independent Indian republic in alliance or in federation with the other independent nations of the earth is one thing, and self-governing India within this imperialistic British Empire is perfectly another thing."¹⁶ He went on to assert: "The non-violence that India preaches is not non-violence for the sake of non-violence but non-violence for the good of humanity and when this good for humanity will demand violence and bloodshed, India will not hesitate to shed blood just in the same way as a surgical operation

necessitates the shedding of blood.”¹⁷

The polemics continued even after the arrest of Sanyal. The revolutionaries disagreed with Gandhi's interpretation of India's history as being one of peace, non-violence and love. They would not accept Gandhi's dictum: “India's path is not Europe's”.¹⁸ They pointed out to the fact of huge standing armies in ancient India and recalled the *Gita's* refrain of “*Vinashaya cha dushkritam*”.¹⁹ (destruction of the wicked). They accused the Mahatma of spreading “philosophical cowardice” by preaching non-violence throughout the length and breadth of the country, and asked if he did not believe in Mazzini's dictum that “ideas ripen quickly when nourished by the blood of martyrs”.²⁰ To Gandhi's charge that their (revolutionaries') movement is not a mass movement, the revolutionaries replied that “the masses are not for the revolution but the revolution is for the masses”.²¹ Gandhi's replies were inconsistent and often contradictory but he continued to cling to the opinion that the “modern Indian revolutionary” does not know his work and that “revolutionary activity is suicidal at this stage of the country's life at any rate, if not for all time in a country so vast, so hopelessly divided and with the masses so deeply sunk in pauperism and so fearfully terror struck”.²² The last remark of Gandhi implied that in a changed milieu he might not oppose revolutionary method. Gandhi ignored the socio-economic, political and psychological conditions. One should not confine oneself merely to the criticism of the mistaken methods of the early revolutionaries but try to assess this social phenomenon as an integral part of the revolution.

The Mahatma had accepted the policy of non-violence as a religion to be followed everywhere — in politics or out of politics. But the others in the Congress had no such sentimental attachment to the creed of Gandhi.²³ Jawaharlal Nehru, like many others, had “accepted non-violence only as a policy, not as a creed”.²⁴ He could not stomach the Chauri Chaura retreat and even expressed doubts about the efficacy of the non-violent creed.²⁵

Similarly, Subhas Chandra Bose was also not obsessed by the non-violent creed and for him an act of violence was not a step backward in the march of the freedom struggle. He was called by the British “a would be Mussolini in Bengal” who “holds the Bengal extremists on his side”.²⁶ That Subhas had links with the revolutionary terrorists is proved by the Bengal Intelligence Report which says that when Bose assumed power in the Calcutta corporation, many terrorists were given jobs in the city administration.²⁷

Besides these two national leaders, Nehru and Bose, there were other prominent Congressmen who unhesitatingly sympathised with the revolutionaries and supported them monetarily whenever their support was sought. Chandra Shekhar Azad received money regularly from Motilal Nehru.²⁸ Similarly, Purshottamdas Tandon of Allahabad

and Shiv Prasad Gupta of Varanasi secretly supplied money for the revolutionary activities.²⁹ Ganesh Shanker Vidyarthi, a prominent Kanpur Congressman and the President of the U P C C, was virtually a Godfather of the revolutionaries. Bhagat Singh also worked in his paper, the *Pratap*, and wrote under the pseudonym of 'Balwant'. Even leaders like Maulana Shaukat Ali and Krishna Kant Malaviya supplied revolvers to Sachindranath Sanyal.³¹ The non-violence of the Mahatma was by-passed by the Congressmen and they were not found wanting in their moral, financial and other support to the revolutionaries.

Congress Attitudes to Revolutionary Acts

The various revolutionary acts and the reactions of the Congress leaders and workers towards these acts would be helpful in understanding the attitude of the Congress towards them in more concrete terms.

The murder of Saunders in December 1928 at Lahore brought to light the existence of an active group of young revolutionaries who were prepared to pay with their lives for the dignity of the nation. Mahatma Gandhi called the murder a "dastardly act" which will "decidedly retard the progress of this quiet building".³ Jawaharlal Nehru did not appreciate this denunciation and said that it was unjustified to condemn these persons or acts "without seeking to understand the springs of action, the causes that underlie them".³³ He further wrote:

Bhagat Singh did not become popular because of his act of terrorism but because he seemed to vindicate, for the moment, the honour of Lala Lajpat Rai, and through him of the nation. He became a symbol, the act was forgotten, the symbol remained, and within a few months each town and village of the Punjab, and to a lesser extent in the rest of northern India, resounded with his name. Innumerable songs grew about him and the popularity that the man achieved was something amazing.³⁴

Immediately after the Saunders murder, Jawaharlal Nehru sent a message to Naujawan Bharat Sabha, a revolutionary organisation founded by Bhagat Singh. He openly assured its members that "many in India are full of sympathy for them and are prepared to help them as much as they can".³⁵ He further affirmed that the Sabha will "grow in strength to take a leading part in forming a national India".³⁶

The next activity was the Assembly bomb explosion which rocked the foundations of the imperialist government in April 1929. Gandhi's reaction was a bitter denunciation of the bomb-throwers. He wrote that the "bomb-throwers have discredited the cause of

freedom in whose name they threw the bombs" and that "Congressmen should not give, even in secret,³⁷ any approval to the deed".³⁸ He further observed that "the Government could prevent its use by conceding the national demand gracefully in time".³⁹ Gandhi thus condemned the action of Bhagat Singh as madness,⁴⁰ but used it for promoting the cause of the nation. Jawaharlal Nehru informed the Viceroy that "it is absurd to talk of unqualified condemnation of the youngmen who did it".⁴¹ He ridiculed those who connected the bombs with Moscow saying that "for them everything they (rulers) do not like come from Moscow".⁴² Going beyond this, Nehru was obstinate enough to publish Bhagat Singh's and Dutt's statement in the *Congress Bulletin* for which he was duly reprimanded by the Mahatma. Apologising, Nehru wrote to Gandhi, "I am sorry you disapproved of my giving Bhagat Singh and Dutt's statement in the *Congress Bulletin*"; and expressing his helplessness, he wrote that "he was compelled to give the statement because there was very general appreciation of it among Congress circles".⁴³ Nehru accepted the widespread popularity and recognition of the revolutionaries among the Congressmen.

For Subhas, the Assembly bomb explosion was "a visible expression of the revolutionary movement" in India which "excited not only public interest but public sympathy as well".⁴⁴

The Assembly bomb explosion led to the arrest of Bhagat Singh and B K Dutt and to a vigorous hunt for the arrest of their comrades. All arrested revolutionaries stood trial in the Lahore Conspiracy case. But this was not an end to the struggle and they began hunger-strike as a crusade against maltreatment of political prisoners in jails. This ordeal won the sympathies of the nation, irrespective of party affiliations. But, the Mahatma maintained a sphinx-like silence throughout the struggle. In one of his letters to Nehru, he even dubbed it as an "irrelevant performance".⁴⁵ The martyrdom of Jatin Das stirred the heart of the nation but Gandhi did not come out with a word of appreciation for this heroic self-immolation. Later Gandhi wrote that he had purposely refrained from commenting because if he had done so, he would have been forced to write something unfavourable.⁴⁶

Jawaharlal Nehru again differed from Gandhi; moved by their ordeal, he said that "no Indian can refrain from admiring their great courage and our hearts must go out to them now in their great and voluntary suffering. They are fasting not for any selfish ends but to improve the lot of all political prisoners. As days go by, we shall watch with deep anxiety this hard trial and shall earnestly hope that the two gallant brothers of ours may triumph in the ordeal".⁴⁷ Jawaharlal Nehru went to meet and see the agony of the hunger-strikers inside the jail. He personally met all of them and described their conditions in pathetic and emotional words. He was convinced of their selfless sacrificing spirit and said: "I gathered from them

that they would adhere to their resolve, whatever the consequences to their individual selves might be. Indeed, they did not care very much for their own selves.”⁴⁸ In a speech at Lahore on August 9, 1929, Nehru compared the careerist and selfish Congressmen with the selfless hunger-striking prisoners, saying:

We should realise the great value of the struggle that these brave youngmen are carrying on inside the jail. They are not struggling to get honours from the people or laurels from the crowd for their sacrifice. What a contrast this is, compared with the unfortunate wrangles among Congressmen and the fighting for securing positions in the Congress and the reception committee. I am ashamed to hear of these internecine differences amongst the Congressmen. But my heart is equally delighted by witnessing the sacrifices of the youngmen who are determined to die for the sake of the country.⁴⁹

Nehru further said that their sacrifices teach at least one lesson which is that the people should now give up their lethargy and join in the freedom battle. He even exhorted the people to follow in their footsteps and “free the country from foreign bondage by similar sacrifices”.⁵⁰ Jatin Das died on the 63rd day of his ordeal and Nehru later wrote in his *Autobiography* that his “death created a sensation all over the country. It brought the question of the treatment of political prisoners to the front”.⁵¹

Crossing the limits of Nehru’s moral and verbal sympathy, Subhas actively came out in support of the hunger-strikers and was even tried for sedition by the imperialist government.⁵² He believed that after Jatin’s death “the whole country gave him an ovation which few men in recent history of India have received”.⁵³ He sent Rs 600 for carrying the corpse in a special compartment to Calcutta.⁵⁴ Subhas Bose frankly admitted that “his martyrdom acted as a profound inspiration to the youth of India and everywhere youth and student organisations began to grow up”.⁵⁵

The Punjab Congress observed the “Hunger Strike Week” in February 1930 with the zealous support of the Naujawan Bharat Sabha.⁵⁶ The Congressmen did not hesitate in using the Sabha platform for preaching their creed of civil disobedience during 1930. The Congress party saw a decline in popularity as most of its young cadre was active in the Sabha which was in full command in the Punjab and Sindh.⁵⁷ Hence, the hunger strike in jails and the civil disobedience movement outside received wide support and sympathy of the Congress and the Sabha respectively.

The attempt to blow up the Viceregal Special on December 23, 1929 at Delhi caused a commotion throughout the British Empire. The Lahore Congress session, a few days later, revealed clear divisions in the Congress rank and file on the issue of the bomb explosion.

Mahatma Gandhi himself moved a resolution congratulating the Viceroy on his escape and condemning the revolutionaries. It said:

This Congress deplôres the bomb outrage perpetrated on the Viceroy's train and reiterates its conviction that such action is not only contrary to the creed of the Congress but results in harm being done to the national cause. It congratulates the Viceroy and Lady Irwin and their party including the poor servants on their fortunate and narrow escape.⁵⁸

Thus, he congratulated Lord Irwin for his narrow escape like a friend but for the revolutionaries Irwin was "the author of the Meerut prosecutions and Lahore and Bhusawal persecutions"; and so in their view he "can appear a friend of India only to the enemies of her freedom".⁵⁹ The resolution of the Mahatma did not have a smooth sailing within the Congress. Many Congressmen stood up to challenge the Mahatma's congratulatory resolution and dubbed it as an exercise in futility, something undesirable and unnecessary. These Congressmen included Swami Govindanand from Sindh, H D Rajah from Tamil Nadu, Dr Mohammad. Alam and Baba Gurdit Singh. Swami Govindanand was frank enough to admit that the non-violent creed of the Congress "is not binding upon the people who choose to stand outside the Congress, and it is the duty of the Congress to persuade the parties that stand outside the Congress not by condemnation but sweet reasoning, sweet arguments to come round to our view of things...".⁶⁰ Dr Alam termed the resolution of the Mahatma as "unimportant, improper and harmful, and hence needed rejection".⁶¹ Dr Alam, while opposing, appealed to the delegates not to vote out of regard for any personality. A new era was dawning and so they should see that their vote followed the dictates of conscience.⁶² Rajah declared that the resolution was contrary to the anti-imperialist outlook of the Congress. What did it matter to them whether the bomb hit the Viceroy or a donkey?⁶³ The enthusiasm in the Congress *pandal* was such that supporters of the Mahatma's resolution like Dr Ansari were hooted down when they rose to speak and red flags were repeatedly waved amidst the cries of 'Up, Up, with Revolution' and 'Down with Imperialism'.⁶⁴ The resolution, when put to vote, could be carried by a trifling majority of 81 with 904 in favour and 823 against. This again proved that the Congress was as much with revolutionaries as it was with the Mahatma.

The H S R A Manifesto

The leaders of HSRA circulated a manifesto at the Lahore Congress session in December 1929. Its tone was more respectful and it recognised Gandhiji's contributions to the cause of national awakening. It wrote:

Mahatma Gandhi is great and we mean no disrespect to him if we express our emphatic disapproval of the methods advocated by him for our country's emancipation. We would be ungrateful to him if we do not salute him for the immense awakening that has been brought about by his non-cooperation movement in the country. But to us the Mahatma is an impossible visionary. Non-violence may be a noble ideal, but it is a thing of the morrow. We can, situated as we are, never hope to win freedom by mere non-violence. The world is armed to the very teeth. And the world is too much with us. All talk of peace may be sincere, but we, of the slave nation, cannot, and must not, be led away by such false ideology.⁶⁵

Jawaharlal Nehru, being the president of the Congress this time, could not afford to annoy the Mahatma and maintained studied silence on this popular issue. His presidential address left this episode untouched. The nation celebrated 'Independence Day' on January 26, 1930 with great fanfare. The popular enthusiasm crossed all limits and even surprised Nehru.⁶⁶ The demonstrators made an effort in Bombay to hoist the red flag alongside the tricolour during the 'Independence Day' celebrations. The left Congressmen rejoiced over the incident while the rightist elements were horrified. However, Nehru adopted a balanced attitude and issued a statement to the press:

There is, and should be, no rivalry between our national tricolour flag and the workers' red flag. I honour and respect the red flag, because it represents the blood and suffering of the workers.⁶⁷

Subhas was in complete agreement with the revolutionaries as far as the objective of the bomb explosion was concerned. The HSRA declared that it aimed at preventing a meeting between the Viceroy and the Congress leaders, "whose attitude was described as one of begging".⁶⁸ Subhas also wrote about the Mahatma's resolution that "the feeling in the Congress was that that clause was uncalled for in a political resolution, but the Mahatma insisted on retaining it probably because he wanted to placate Lord Irwin and prepare the ground for a rapprochement in future".⁶⁹ Thus, Subhas Bose agreed with the revolutionaries in condemning the appeasement policy of the Mahatma. Gandhi, not satisfied with the passage of the resolution at Lahore, again entered into polemical arguments with the revolutionaries. He denounced the revolutionaries and their creed in an article "The Cult of the Bomb".⁷⁰ However, in the next breath he expressed his indebtedness to the revolutionaries "for the Morley Minto Reform, Montague Reforms and the like".⁷¹ But a revolutionary, Bhagwati Charan, hit back saying: "These the British Government threw before the constitutionalised agitators to lure them

away from the right path. This was a bribe paid them for their support to the government in its policy of crushing and uprooting the revolutionaries. These toys — as Gandhi calls them — were sent to India for the benefit of those who, from time to time, raised the cry of 'Home Rule', 'Self-Government', 'Responsible Government', 'Full Responsible Government', 'Dominion Status' and such other names for slavery.... They (the revolutionaries) raised the standard of independence long ago".⁷²

It had been the policy of the imperialist government to keep busy the leaders of the country in various constitutional problems and thereby avoid any serious revolutionary outbreak. Wavell wrote in 1944, "unless we have previously diverted their energies into some more profitable channel, i.e., into dealing with the administrative problems of India and into trying to solve the constitutional problem",⁷³ it would be difficult to stem the tide of agitation and revolution.

Gandhi further declared that his faith in the efficacy of non-violence had increased and he hoped to convert the enemy through the gospel of love.⁷⁴ The revolutionaries countered this argument of Gandhi in these words:

Will he let the world know how many enemies of India he had been able to turn into friends? How many O'Dwyers, Dyers, Readings and Irwins has he been able to convert into friends of India? If none, how can India be expected to share his growing faith that he will be able to persuade or compel England to agree to Indian independence through the practice of non-violence?⁷⁵

The Mahatma ascribed the awakening of 1920 to his preaching of non-violence, but the revolutionaries called the argument absurd and said: "It is wrong to assign to non-violence the widespread awakening of the masses which, in fact, is manifested wherever a programme of direct action is adopted. In Russia, for instance, there came about widespread awakening among the peasants and workers, when the Communists launched forth their great programme of Militant Mass Action, though nobody preached non-violence to them".⁷⁶ They further held Gandhi and his creed responsible for the failure of the movement. They said that "it was mainly the mania for non-violence and Gandhi's compromise mentality that brought about the disruption of the forces that had come together at the call of Mass Action."⁷⁷

Mahatma Gandhi wrote an article in *Young India* in condemnation of the revolutionaries.⁷⁸ The leadership of the HSRA directed the sharp edge of its counter-criticism against the Mahatma. Referring to the question of violence or non-violence it wrote:

...violence is physical force applied for committing injustice, and

that is certainly not what the revolutionaries stand for. On the other hand what generally goes by the name of non-violence is in reality the theory of soul-force as applied to the attainment of personal and national rights through courting suffering and hoping thus to finally convert your opponents to your point of view. When a revolutionary believes certain things to be his right, he asks for them, pleads for them, argues for them, wills to attain them with all the soul force at his command, stands the greatest amount of suffering for them, is always prepared to make the highest sacrifice for their attainment and also backs his efforts with all the physical force he is capable of. You may coin what other word you like to describe his methods but you cannot call it violence, because that would institute an outrage on the dictionary meaning of the word. Satyagraha is insistence upon truth. Why press for acceptance of truth by soul-force alone? Why not add physical force to it? While the revolutionaries stand for winning independence by all the forces, physical as well as moral, at their command, the advocates of soul-force would like to ban the use of physical force. The question really, therefore, is not whether you will have violence or non-violence, but whether you will have soul-force plus physical force or soul-force alone.⁷⁹

The HSRA manifesto contained blistering attacks against the Mahatma at whose instance the resolution came to be passed in the Congress session. The compromising policy of Gandhi and the Congress leadership came in for sharp criticism.

The fact that the unfurling of the flag of independence lay hanging in the balance till midnight of that date (Dec. 31, 1929), and that the scales might have been turned at even the eleventh hour fifty-ninth minute had a message from the Viceroy or the Secretary of State come to the Congress granting Dominion Status, proves that independence is not the heart hunger of the leaders but that the declaration of it is only like a petulant child's retort.⁸⁰

Referring to Gandhi's call to all reasonable persons to condemn revolutionary actions and to withdraw all support from them so that, in the words of the Mahatma, "our deluded patriots may, for want of nourishment to their violent spirit, realise the futility of violence and the great harm that violent activities have every time done", the manifesto, under the caption "No bullying please", says: "Many a revolutionary has, ere now, stepped on the scaffold and laid his life down for the cause, regardless of the curses that the constitutionalist agitators rained plentifully upon them."⁸¹ It is a paradox that Gandhi believed in winning foes through the gospel of love while he indulged in bitter denunciation of those who disagreed with him in

his own country.

There were local outbursts of popular militancy, crossing the bounds of Gandhian orthodoxy, for which many Congressmen expressed their sympathy; the most notable among them was an incident at Peshawar in April-May 1930 where Garhwali Hindu soldiers refused to open fire on Muslim crowds, sending the Chief Commissioner into "a state of mental prostration".⁸² The unrest and militancy were visible in the *ghat* areas of Nasik, Ahmednagar and Poona districts where Kolis "armed with spears, swords and other weapons" joined in large numbers in the anti-grazing fee movement with Congress slogans on their lips.⁸³ *The Fortnightly Reports* revealed the mood of popular militancy in parts of Bengal, Bihar, Bombay and the United Provinces. The Bombay City Congress, echoing the sentiments of the revolutionaries, issued a cyclostyled bulletin on November 4, 1930, entitled "Freedom Be Thou My Soul, Sedition Be My Song".⁸⁴ The popular militancy manifested itself in a well planned revolutionary capture of Chittagong Armoury in 1931.

The Execution of Bhagat Singh and his Comrades

The Congress attitude towards the revolutionaries took a new turn after the Gandhi-Irwin Pact of March, 1931 and the subsequent executions of 'Bhagat-Sukhdev-Rajguru' trinity on March 23, 1931. All hopes were pinned on Gandhi but he could not save the lives of the three revolutionaries.⁸⁵ As in 1920-21, the Mahatma had appealed again to the revolutionaries to desist from their activities and give him a chance to save the condemned youngmen from the gallows,⁸⁶ but the outcome was similarly embarrassing for them. The city of Delhi resounded with the slogans 'Down with Gandhi' and even the humbler Congress camp followers believed that Gandhi had deserted them, that he had been bought over by the Viceroy and that nice-places were being made for himself and his immediate entourage.⁸⁷

A little before his execution, Sukhdev, one of the accused, wrote an open letter to Gandhi. He accused Gandhi that his pact had ignored the revolutionary prisoners languishing in prisons since 1915 and scores of others belonging to different conspiracy cases. About their own fate, he wrote: "As a matter of fact their executions are expected to do greater good than the commutation of their sentences."⁸⁸ He further said that Mahatma Gandhi's public appeals asking them to call off their movement had harmed them because "appeals mean you are joining the hands with the bureaucracy to crush that movement, and your appeals amount to preaching treachery, desertion and betrayal amongst them."⁸⁹ To this Gandhi retorted: "...authors of political murder count the cost before they enter upon their awful career. No action of mine can possibly worsen their fate."⁹⁰ Gandhi went to the extent of alleging that the delay in

freedom was due only to the revolutionary activities and that if he "had a completely peaceful atmosphere he would have gained our end already".⁹¹

Jawaharlal Nehru kept quiet before the executions lest a word of his may annoy the Mahatma. But soon after the executions, he came out with a statement in defence of his silence. He said that "I have remained silent though I felt like bursting, and now all is over".⁹² This may be true because in some other reference he had accepted that "I was being compelled by force of circumstances to do things I was in thorough disagreement with".⁹³ He further said, "Not all of us could save him who was so dear to us and whose magnificent courage and sacrifice have been an inspiration to the youth of India; India today cannot save her dearly loved children from the gallows".⁹⁴

Subhas Bose accused Gandhi of blundering in making peace and not securing the release of all prisoners and said that *Nau Juvans* would carry on the fight in any case.⁹⁵ After the executions, he wrote; "Bhagat Singh had become the symbol of the new awakening among the youths..... The feeling among a considerable section of the youths was that the Mahatma had betrayed the cause of Bhagat Singh and his comrades".⁹⁶

The Karachi session of the Congress in March, 1931, repeated the history of Lahore. A resolution on the executions was hotly discussed before it was declared carried with a sizable number of Congressmen voting against it. The main opposition was directed against the words "whilst dissociating itself from and disapproving of political violence in any form or shape".⁹⁷ The resolution was moved by Nehru on behalf of Gandhi, who had drafted it. While speaking before the resolution, Nehru praised Bhagat Singh and felt indebted to him for the great awakening. He spoke:

He was a clean fighter who faced his enemy in the open field. He was a young boy full of burning zeal for the country. He was like a spark which became a flame in a short time and spread from one end of the country to the other dispelling the prevailing darkness everywhere.⁹⁸

The atmosphere witnessed at the session revealed the Congress attitude towards the revolutionaries and the extent to which the Congressmen could go to oppose the Mahatma's unqualified hostility towards them. M M Malaviya, who seconded the resolution, himself accepted that "Bhagat Singh was not only a lover of the motherland, he was a representative of our youth. His views and actions were enough evidence to express the ideas of our youngmen".⁹⁹ Swami Govindanand, voicing the views of the forward party or the left wing within the Congress, said that the Gandhi-Irwin Pact had set

back the clock of India's progress to independence.¹⁰⁰ Yusuf Meherali felt that the truce was a betrayal of the national movement. He declared: "We do not believe in the change of heart theory, to which Mahatmaji attaches so much importance. To our mind, imperialism has no heart to change, it has only pockets to fill."¹⁰¹ Yusuf Meherali bitterly denounced the Pact as a "great triumph for British diplomacy" and "a great national mistake", attacked unequivocally "the politics of compromise" and of "change of heart" and made sharp references to string-pullers of the Congress—"the Birlas, the Purushottamdas Thakurdases, the Walchand Hirachands, the Husseinbhai Laljis"—who were then "out and busy in making efforts to obtain the fruits of the suffering and sacrifices of others". With a prescience, he predicted the failure of the Round Table negotiations and hoped to hear the call for militant action. "We patiently await the call of fight. *Inquilab Zindabad*".¹⁰² Tara Chand Lalwani declared that the whole world knew that the creed of the Congress was non-violence. Why then repeat it over and over again, year after year?¹⁰³ The resolution was declared carried but a number of Congressmen condemned the half-hearted and stinted appreciation of the daring revolutionaries.

Gandhi set sail for London to participate in the Second Round Table Conference in accordance with the Delhi Pact. He went as the lone representative of the Congress. G D Birla, a representative of the business interests, also participated in the deliberations of the Round Table Conference. On Birla's testimony we have it that Gandhi was close to him; to use his words, "In all my actions I felt he (Gandhi) was close beside me, and I was his shadow."¹⁰⁴ Birla beseeched the British to arrive at some constitutional agreement on India. His speech at the Round Table Conference contained a veiled threat. He said:

I know the youth of my country very well. It is possible that after some years the British may have to arrive at a settlement not with Mahatma Gandhi or Indian princes or with the capitalists like me but with altogether new men, new situations, new ideas and new aspirations. England should be beware.¹⁰⁵

Even after the failure of the Round Table Conference, Birla went on reasoning with Samuel Hoare, the Secretary of State for India. He wrote to Samuel Hoare for granting a constitution and assured him of Gandhi's blessings. He wrote: "I always make a distinction between Gandhi and the Congress, and I again submit that it is possible for you to give us a constitution which, though not acceptable to the Congress, may not be rejected by Gandhiji, and which can ensure a smooth working in future." He continued, "Gandhiji and men of his type are not only friends of India but also friends of

Great Britain and that Gandhiji is the greatest force on the side of peace and order. He alone is responsible for keeping the left wing in India in check.”¹⁰⁶ Yusuf Meherali's and left Congressmen's apprehensions were not without substance.

It is clear that their revolutionaries and the activities were appreciated by their countrymen, irrespective of party affiliations. The Congressmen like the two Nehrus, Bose, G S Vidyarthi and a host of others did not bring in the creed of non-violence and openly exhorted them to work for the country's freedom. It was Gandhi alone who remained adamant and obsessed with his non-violence and the gospel of love. On the one hand he was winning co-operation of the revolutionaries through C R Das and on the other hand he was appealing against the “mad worship” of Bhagat Singh which, he believed, had “led to goondaism and degradation”.¹⁰⁷ Even after the executions, when All India Bhagat Singh-Rajguru-Sukhdev Memorial Committee approached Gandhi for his support, he bluntly dissociated himself from it as it aimed at immortalising men who had followed the path of violence.¹⁰⁸ The Congress majority did not believe in the indispensability of the non-violent creed and exhorted the revolutionaries to follow their own path to accelerate the pace of freedom struggle.

- 1 S K Mittal, “The Role of Meerut College in the Freedom Struggle of India”, *Social Scientist*, Number 76, pp 51-52.
- 2 Shivdan Singh Chauhan (ed.), *Prithvi Singh Azad in Lenin's Land*, Delhi, 1910, p 15.
- 3 Ram Gopal, *How India Struggled for Freedom*, Bombay, 1967, pp 181-197.
- 4 The imperial Government dreaded the armed revolutionaries more than anything else in India. The closing years of the British rule revealed that it was the defection of the armed forces and their unreliability which became a major factor in the British decision to withdraw from India. The sequence of events from the Quit India movement to the INA demonstrations and the Naval Ratings' revolt is unmistakable. The British helmsmen of the Indian administration had recognised that these revolutionary incidents had knocked the bottom out of the British will to stay in India. The voluminous correspondence published in the *Transfer of Power* is an eloquent testimony to this fact.
- 5 David M Laushey, *Bengal Terrorism and Marxist Left*, Calcutta, 1975, pp 25-26.
- 6 See S C Bose, *The Indian Struggle, 1920-42*, Calcutta, 1967, p 60.
- 7 A letter written by S N Sanyal to Gandhi published in *Young India*, February 12, 1925.
- 8 *Collected Works of Mahatma Gandhi* (CWM), Vol 21, p 557.
- 9 M N Gupta, “Gandhi and the Revolutionaries”, in M B Rao (ed), *The Mahatma—A Marxist Symposium*, p 92.
- 10 *Young India*, February 12, 1925, Sanyal's letter to Gandhi.
- 11 *Young India*, April 9, 1925, Mahatma Gandhi's reply to the letter of a Revolutionary.
- 12 M R Jayakar, *The Story of My Life, 1922-25*, Bombay, 1959, Vol II, p 320.
- 13 *Collected Works of Mahatma Gandhi* (CWM), Vol, 24, p 334. Also *Young India*, July 3, 1924.
- 14 *CWM*, Vol, 25, p 473; Also *Young India*, December 26, 1924.
- 15 *Young India*, February 12, 1925.

- 16 *Ibid.*
- 17 *Ibid.*
- 18 *Young India*, April 9, 1925.
- 19 *Ibid.*
- 20 *Ibid.*
- 21 *Ibid.*
- 22 *Ibid.*
- 23 "For Gandhiji it was a creed; for the majority of Congressmen it was a policy. For him means and ends were interconvertible terms. One could always have control over the means, and never on the end. To many Congressmen the end justified the means." (Tendulkar, *Mahatma*, Vol III, Ahmedabad, 1952, p 366). When Gandhiji tried to introduce the words, "truthful and non-violent means" in place of the words, "legitimate and peaceful means" in the Article 1 of the Congress constitution, he failed to carry the amendment. (Proceedings of the Working Committee, 20th to 29th October 1934, Bombay, K K Mitra, *The Indian Annual Register*, October 1934, p 207).
- 24 Dhananjay Keer, *Mahatma Gandhi, Political Saint and Unarmed Prophet*, Bombay, 1973, p 624.
- 25 Manmathnath Gupta, *They Lived Dangerously*, Delhi, 1969, p 56.
- 26 J Coatman, *Years of Destiny*, London, 1932, p 96.
- 27 NAI, Home Poll, F No. 4/21, 1932, Ray, "Brief Note on the Alliance of Congress with Terrorism in Bengal".
- 28 J N Sanyal, *Amar Shaheed Sardar Bhagat Singh*, in Hindi, Mirzapur, 1970, p 45.
- 29 *Ibid.*
- 30 *Ibid*, p 26.
- 31 *Ibid*, p 61.
- 32 *CWM*, Vol 38, pp 274-76.
- 33 J Nehru, *An Autobiography*, New Delhi, 1962, pp 174-75.
- 34 *Ibid*, pp 175-76.
- 35 *The Search Light*, January 11, 1929. Also *Selected Works of Jawaharlal Nehru*, Vol 4, p 1.
- 36 *Ibid.*
- 37 Gandhi knew that Congressmen secretly approved of the various revolutionary acts.
- 38 *CWM*, Vol, 40, pp 259-60. Also *Young India* April 18, 1929.
- 39 *Ibid.*
- 40 *Ibid.*
- 41 *The Tribune*, April 17, 1929.
- 42 *Ibid.*
- 43 *Selected Works of J Nehru* (SWJN), Vol 4, p 157.
- 44 S C Bose, *op cit*, p 160.
- 45 *CWM*, Vol 41, p 153.
- 46 *CWM*, Vol 41, p 528. Also S C Bose, *op cit*, p 173.
- 47 *The Tribune*, July 7, 1929. Also *SWJN*, Vol 4, pp 8-9.
- 48 *The Tribune*, August 10, 1929. Also *SWJN*, Vol 4, p 13.
- 49 *The Tribune*, August 11, 1929. Also *SWJN*, Vol 4, pp 14-15.
- 50 *Ibid.*
- 51 J Nehru, *op cit*, p 194.
- 52 S C Bose, *op cit*, pp 161-62.
- 53 *Ibid*, p 162.
- 54 M N Gupta, *History of the Indian Revolutionary Movement*, Bombay, 1972, p 123.
- 55 S C Bose, *op cit*, p 162. Also S K Mittal, *op cit*, p 43.
- 56 S K Mittal & Irfan Habib, "Towards Independence and Socialist Republic—Naujawan Bharat Sabha", *Social Scientist*, No 87, p 35.

- 57 *Ibid.*
- 58 *CWM*, Vol 42, p 341.
- 59 *The Philosophy of the Bomb*, Manifesto of the HSRA distributed in January, 1930.
- 60 *Report of the Lahore Congress Session 1929*, NMML. Also K K Mitra (ed), *The Indian Quarterly Register 1929*, Vol II, p 299.
- 61 *Ibid.*
- 62 *Report of the Lahore Congress Session 1929*, NMML.
- 63 *Report of the Lahore Congress 1929*, NMML. Later the word donkey was replaced by 'any other'.
- 64 *Ibid.*
- 65 The Manifesto of the HSRA circulated at the Lahore Congress session in December, 1929.
- 66 Letter to Secretaries, League Against Imperialism, AICC File No. F D I/ 1929-30, pp 47-61, NMML.
- 67 *The Hindu*, January 29, 1930. Also *SWJN*, Vol 4, p 232. The utterances, and life of J Nehru demonstrate that the person was torn between his mission and career. His heart was with the suffering of the people but he was the leader of a political party which, like an omnibus, contained diverse elements in it. Even as Prime Minister of free India he did not undertake those measures which would have been unpalatable to many Congressmen and would have gone a long way in alleviating the sufferings of the masses.
- 68 *The Tribune*, March 2, 1930.
- 69 S C Bose, *op cit*, p 174.
- 70 *Young India*, January 2, 1930. Also *CWM*, Vol 42, pp 361-64.
- 71 *Ibid.*
- 72 "The Philosophy of the Bomb", the Manifesto of the HSRA issued in January 1930.
- 73 *Transfer of Power 1942-7*, Vol V, pp 131 and 132. Wavell to Churchill, October 24, 1944. It is interesting to note that the mass revolutionary upsurge was sought to be diverted by the rulers through the revival of constitutional activity. The unity of the revolutionary forces which was emerging due to the activities of the HSRA and the Congress led civil disobedience movement was broken by the Delhi Pact and the Round Table Conferences. Again the phenomenon of mass unity and the tidal waves of revolution (INA demonstration, RIN upsurge, labour militancy etc. in 1945-1946) were disrupted by the constitutional proposals of the Cabinet Mission plan.
- 74 *Young India*, January 2, 1930.
- 75 "The Philosophy of the Bomb".
- 76 *Ibid.*
- 77 *Ibid.*
- 78 *Young India*, January 2, 1930.
- 79 "The Philosophy of the Bomb". In the polemics over violence and non-violence, physical force v/s soul force, the followers of the Mahatma waxed eloquent on Gandhi's use of soul force expressed through fasts, *satyagraha* and self-suffering. Gandhi undoubtedly wielded enormous soul force and moral power but the revolutionaries possessed no less soul force and power of self-suffering. Gandhi's fast never went beyond 21 days during which he took orange juice on 5th day on doctors' advice while the revolutionaries' spell of fasting was from 63 to 80 days without any intake.
- 80 "The Philosophy of the Bomb".
- 81 *Ibid.*
- 82 Irwin to Wedgewood Benn, May 1, 1930, *Halifax Papers*, NMML.
- 83 Fortnightly Report, Bombay, second half of October, 1930. Home Poll, F No. 18/XI-18/XII/1930.

- 84 This cyclostyled bulletin is preserved in *Thakurdas Papers*, F No. 101/1930, NMML.
- 85 Irfan Habib, "The Ideology and Programme of the Revolutionary-Terrorists in U. P. and Punjab from 1921-32 and Its Impact on the Freedom Struggle, a Meerut University thesis, 1981, pp 103-106.
- 86 *The Tribune*, March 8, 1931.
- 87 *The Pioneer*, March 27, 1931.
- 88 *Young India*, April 23, 1931.
- 89 *Young India*, April 23, 1931.
- 90 *Ibid.*
- 91 *Ibid.*
- 92 *The Bombay Chronicle*, March 25, 1931. Also *New Delhi*, March 24, 1931. Also *SWJN*, Vol 4, p 500.
- 93 *SWJN*, Vol 4, p 156.
- 94 *The Bombay Chronicle*, March 25, 1931.
- 95 NAI, Home Poll, F No. 136/1931.
- 96 S C Bose, *op cit*, p 205.
- 97 A I C C. Report, *Karachi Session*, March 1931, NMML, New Delhi. Also K K Mitra, *The Indian Annual Register*, 1931 Vol I, pp 266-67.
- 98 *Report of the Congress Session*, Karachi, 1931, NMML. Also *SWJN*, Vol 4, pp 505-506.
- 99 *Report of the Congress Session*, Karachi, 1931, NMML.
- 100 *Ibid.*
- 101 *Ibid.*
- 102 *Report of the Congress Session*, Karachi, 1931, NMML. Sumit Sarkar has revealed the crucial role played by business pressures in bringing about a change in Gandhi's political stance in February-March, 1931. "The Logic of Gandhian Nationalism: Civil Disobedience and the Gandhi-Irwin Pact 1930-31", *The Indian Historical Review*, July, 1976, Vol III, No. 1, pp 114-146. Bipan Chandra has also pointed out the capitalist pressures on the national leadership, "The Indian Capitalist Class and British Imperialism" in R S Sharma and V Jha (ed), *Indian Society: Historical Probing*, New Delhi, 1974, pp 390-413, also "Jawaharlal Nehru and the Capitalist Class, 1936" in Debiprasad Chattopadhyaya (ed), *History and Society*, Calcutta, 1978, pp 513-534.
- 103 K K Mitra, *op cit*, pp 268.
- 104 G D Birla, *In the Shadow of the Mahatma*, Bombay, 1972, p XI.
- 105 G D Birla, *Diary Ke Kuch Panne* (Hindi), New Delhi, 1940, Introduction, pp 8-9.
- 106 G D Birla, *In the Shadow of the Mahatma*, pp 51-52. Letter from G D Birla to Samuel Hoare dated March 14, 1932; also *Bapu - A Unique Association*, Vol I, Bombay, 1977, pp 180-81.
- 107 *The Tribune*, August 1, 1931.
- 108 KS Mittal & Irfan Habib, *Social Scientist*, No. 87, p 38.

MANOJ K JOSHI*

The "Human Rights Phase" of American Foreign Policy

THE short history of the Carter Administration can be divided into two phases. The first phase began with his quest as an "outsider" to the Washington establishment. Carter's theme in the post-Watergate America was that a government can be 'honest, decent, open, fair, and compassionate'. Looking at the crisis-ridden system, Carter, the ex-nuclear engineer and successful peanut farmer, also promised that it could be "competent". Seeking the highest office in the land, Carter espoused "morality-in-politics" and sought to draw a curtain on an era of deceit and untrustworthiness. The early seventies had seen the collapse of the Nixon Presidency in Watergate, the defeat in Vietnam, the CIA revelations and an all-pervading economic crisis that had breached the ideological consensus that had marked American foreign and domestic policies since 1945. It was the appeal of a man untainted by Washington, openly flaunting his commitment to morality and openness that convinced most Americans that this was the man who could best heal the wounds of the nation. The second phase began almost within a year of his assumption of office. The continuing intractability of domestic issues, notably the economy, the conduct of foreign policy as well as the scandals surrounding his appointees, ended the traditional 'honeymoon' period of the President with his nation.

In the realm of foreign policy, the first phase saw Carter's "morality-in-politics" view being sought to be grafted upon the international scene in a "human rights" campaign. A study of this phase and its failure will help us in arriving at an understanding of the failure of Carter's foreign policy as a whole. The issue of foreign policy and the failure of the Administration became a major issue in the 1980 campaign. A right-wing attack on his foreign policy gained enormous credibility and contributed enormously in projecting to the office of President a man diametrically opposed to Jimmy Carter in his stated conceptual view of American policy.

Supporters of the ex-President have adduced a host of reasons for the failure of the Carter foreign policy. Most of them assert

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that while its aims and conception were sound, it was lacking sadly in overall coherence and conduct. The "human rights" policy gets full marks from them for the "breadth of its vision and the commitment to the ideals of American democracy". The Panama Canal treaties, the Camp David talks, the Zimbabwe settlement, the (almost) bloodless resolution of the hostage crisis are cited in this regard. Carter's commitment to long range goals like arms control, arms sale, non-proliferation, the Law of the Seas and the New International Economic Order were all, his supporters say, a commitment to a world where no single power held the hegemony.¹

It is our view that Carter's policies were no great departure from the norm. Just a few years away from the Vietnam war and the economic emergency of 1971, American policy had to be formulated in a world of limits. A significant limit was the increasingly active role of the Congress in dampening Executive activism in the sphere of foreign policy. The War Powers Act of 1974 and the Congressional restrictions on covert or overt actions in the Angolan war can be cited as two of the examples of this type. If Kissinger had begun with the Metternichian vision of patching up the world order, Carter was there to complete the job in the most competent manner. This is not to say that Carter shared the Kissingerian view of a bi-polar world. By 1973 itself, it had become clear to even Kissinger that many of the major issues went beyond the confines of bi-polarity or tri-polarity,

Significantly, Carter's foreign policy framework was influenced strongly by an institution founded in 1973 — the Trilateral Commission. Founded with the help of David Rockefeller, this commission, having learnt the lessons of the impact of the oil embargo on the capitalist world, sought to foster closer economic and political co-operation within the Trilateral — Japan, North America and Western Europe. Whereas the pre-1973 foreign policy of the world of the Trilateral had been characterised by the effective American hegemony, both military and economic, events had made it desirable to restructure it in such a way as to provide for a "joint hegemony" of the three Trilateral regions. That was viewed as the only way in which the global system could survive in the changed environment. Several of the key members of the Carter team when it took office were members of the Trilateral Commission. Its director, Zbigniew Brzezinski became Carter's Adviser for National Security Affairs; other members of the Commission to be inducted into the Carter Administration included Cyrus Vance, the Secretary of State, W Michael Blumenthal, the Secretary of Treasury, Harold Brown, the Secretary of Defence, and Leonard Woodcock, the Ambassador to the People's Republic of China.²

It is clear that far from being a rank outsider, Carter came to office with a foreign policy team which had a conception of the world

that was not far removed from the old conception, but was only conditioned by defeat and failure to realise that it would have to adopt new strategies.

The new strategy decided upon, stemming from the campaign rhetoric of the previous year, was that of championing "human rights" all over the world. In a characteristic speech to the B'nai B'rith Convention, in September 1976, Carter had attacked the earlier Administrations in high moral tones:

(We) stumbled into the quagmire of Vietnam...we carried out heavy handed efforts to destroy an elected government in Chile....We also regret our own government's continuing failure to oppose the denial of freedom in Eastern Europe and Soviet Union....We should not condone repressions or denial of freedom. On the contrary, we should use our tremendous influence to increase freedom.³

The Democratic Party Platform for the election too criticised "Nixon-Ford diplomacy" for leaving the U S "isolated abroad and divided at home". The central theme of a Democratic policy would be, the Platform affirmed, an "American commitment to human rights across the globe".⁴

It is clear from this statement, and from subsequent events, that the focus of the policy was to be the same—confrontation with the Soviet Union. It would seem that, given the failure of interventionism, the American foreign policy establishment saw the way out in a moral crusade. The Kissinger policies were attacked for being flawed in their conception, secretive and amoral. There can be little doubt that that part of the attack was merely campaign rhetoric. The media made much of President Ford's refusal to accept the fact that Eastern Europe was under Soviet domination.⁵ It cannot be forgotten that within the Democratic Party itself there were powerful figures like Sen. Henry Jackson, a strong critic of detente. In any case, being a challenger and a Democrat, Carter had a field day criticising his predecessor who had to defend all the policies that evolved with Henry Kissinger. The fact that Carter used "human rights" to criticise detente and that Reagan used "military security" to criticise both detente and Carter really represent two sides of the same coin. Given his domestic environment in 1980, his policy prescriptions were different from Reagan's only in terms of degree.

Undoubtedly, Carter's campaign rhetoric bespoke of a sharp shift in American foreign policy, not only in its conception but in its execution as well. Nevertheless, it must be noted that any new policy-mix would have to fit in the general paradigm under which the policy had operated since World War II.

The broad contours of this paradigm were then and still are: 1)

a general confrontation and competition with the Soviet Union and its allies, as well as, under conditions of nuclear parity, a policy of limited co-operation to reduce global tension; 2) a global "security policy" involving an anti-soviet military alliance with Western Europe, Japan and Australia as well as co-operation with less savoury regional actors—South Africa, Israel, Iran and the Latin American dictators; 3) a huge Third World in abject poverty, a source of innumerable tensions, viewed at various times as allies and enemies in the global power game conditioned absolutely by the first premise.

The key characteristic of American foreign policy has been to ensure so-called "national security". It is the operation of this policy that has committed the United States to some questionable ventures around the world and brought within the ambit of "legitimate" security concerns of the country some of the most brutally repressive regimes of the world. While the magic of "national security" had provided a unique consensus to American policy, when it was shattered by the Vietnam war it led to the train of events that eventually brought Jimmy Carter to the helm of affairs in Washington.

The "human rights" policy was not a creation of Jimmy Carter. It was a product of the neo-isolationist sentiment in the America of the 1970s, when Americans came to distrust Executive activism in the sphere of foreign policy, which, they came to believe, always manifested itself in military adventurism. Zbigniew Brzezinski, the hard-nosed Special Assistant to President Carter for National Security Affairs, stated this in so many words in a speech to the Trilateral Commission in October 1977. The first among the four basic priorities of the Carter Administration, he declared, was "to overcome the crisis of spirit" affecting Americans.

Brzezinski pointed out that the Administration was willing to see "change as a positive phenomenon", and the efforts of the new Administration were towards ensuring that this "change can be made compatible with" American ideals. It was within this perspective that the new policy would be applied.⁶ A sceptic may well have noted that the "human rights" phase was intended to be medicinal and that once the danger was over and the Americans were rallying round the flag once more, the policies would go on much as before. As a matter of fact it was in precisely this manner that Noam Chomsky, the noted linguist and critic of American foreign policy, saw the application of the policy.⁷

The Congress and Human Rights

The "human rights" policy effort was not the single-handed one of a foreign policy "establishment". For many years prior to the Carter Administration, the Congress had been hard at work to provide a "human rights" bent to American foreign policy. As a matter of fact, many of the Carter initiatives were based on existing legislation

and, at times, the Congress was even pushing the President towards a more rigorous application of the policy he had come to adopt. Section 32 of the Foreign Assistance Act of 1973 expressed a "sense of Congress to deny economic assistance to countries holding political prisoners". By Section 35, the President was asked to "request the Government of Chile to protect the human rights of all individuals". Later, Congressional legislation was more explicit. The Trade Act of 1974 was a forerunner of the Carter policy. Its Section 402 enjoined the U S Government not to give "nondiscriminatory treatment" (the so-called most-favoured-nation clause) to any country of the "nonmarket" economy (socialist countries) that did not permit free emigration. In 1975, a Section of the International Development and Food Assistance Act debarred assistance to all governments who had shown a "consistent pattern of gross violations of internationally recognised human rights". In 1976, the Congress also moved to amend Section 502B of the Foreign Assistance Act of 1961. This was done by providing a rider to the International Security Assistance and Arms Control Act of 1976. Under this rider, the Congress, claiming inspiration from the UN Charter and from the heritage of the US itself, moved to cut off all military assistance to all those governments which engaged in "a consistent pattern of gross violations of internationally accepted human rights". Section 406 of the 1976 Act also cut off economic and military assistance, as well as sales credits, to Chile.

Similar steps were taken to empower the American Executive Director of the Inter-American Development Bank and the African Development Fund to vote against any loan or extension of one for countries violating human rights.⁸ The successful passage of this last piece of legislation did not prevent the Executive from continuing its policies which were based on applying the "human rights" clause only when U.S. "security" considerations permitted it, which meant continued support to repressive regimes around the world. President Ford even vetoed a 4.4 billion dollar foreign aid bill because he claimed that it restricted the Executive in its conduct of foreign policy by being tied up to "human rights" clauses like those cited above.⁹

At the beginning of the new year, on the eve of the inaugural of the new Administration, the House of Representatives' International Relations Committee, released a report on human rights violations by six countries, prepared at its behest by the State Department. The report indicted Argentina, Peru, Haiti, Indonesia, Iran and the Philippines for violating human rights in varying degrees. However, the report also advocated continued American military support for these countries on strategic grounds.¹⁰

The Carter Administration and Human Rights

The intertwining of politics and concern for human rights was

visible right from the beginning of the new Administration as well. President Carter's Inaugural Address once again stressed the theme of human rights and a supplementary message to the "citizens of the world" was also issued and circulated pledging that the Carter Administration would shape a "world order that is more responsive to human aspirations".¹¹

Within days of the inaugural, the new campaign was given a kick-off by the new Administration. In an unprecedented statement, the State Department warned the Soviet Union that it would be violating internationally accepted standards of human rights if it tried to silence Andrei Sakharov. At the same time, it warned the Czechoslovak government against silencing members of the Charter of 77 group of dissidents. Later, the Secretary of State Cyrus Vance declared that neither he nor the President knew in advance of the Sakharov statement, and that the President was not aware of the Czech statement. This disclaimer indicated the reaction of many observers that such statements were needlessly polemical and would hurt East-West ties.¹² On February 17, 1977, however, Sakharov received a reply to a letter he had written to Carter in January. Carter assured Sakharov of the commitment of his Administration to upholding human rights in the USSR and the world. In line with this strategy, Carter had an unprecedented meeting with Vladimir Bukovsky, a Soviet dissident, in the White House and indicated that his commitment to human rights was "permanent" and that he would not be "timid" on the issue. This meeting was contrasted by observers with President Ford's refusal to meet Solzhenitsyn in 1975. In the face of criticism, Carter consistently maintained that his campaign was not primarily aimed at the USSR.¹³

Despite disclaimers, it was clear that the thrust of the campaign was to be political. At a hearing by the Senate Appropriations Subcommittee on Foreign Operations, Secretary of State Vance declared that while the Administration had decided to cut aid to Argentina, Uruguay and Ethiopia, aid to strategically placed allies like Iran and South Korea would remain unaffected whatever their violations against human rights and that all such decisions would be taken on a case-by-case basis.¹⁴

In spite of rising doubts, Carter persisted in viewing the problem of human rights as the central foreign policy issue. In a major foreign policy statement delivered at an address to the Notre Dame University, Carter outlined the 'five cardinal principles' of his new policy:

First, we have reaffirmed America's commitment to human rights as a fundamental tenet of our foreign policy. ... Second, we have moved deliberately to reinforce the bonds among our democracies. ... Together, our democracies can help to shape the wider architecture

of global cooperation. ... Third, we've moved to engage the Soviet Union in a joint effort to halt the strategic arms race. ...Fourth, we are taking deliberate steps to improve the chances of lasting peace in the Middle East. ...And fifth, we are attempting, even at the risk of some friction with our friends, to reduce the danger of nuclear proliferation and the worldwide spread of conventional weapons.

Appended to the "cardinal principles" was a general concern for all other issues of Latin America, Asia and Africa and the problems of world poverty. This was a policy, concluded Carter, based not only on a historical vision of America's role in the world but also on a "larger view of global change" and dependent on "moral values" reinforced "by our material wealth and by our military power".¹⁵

The initial attack on the Soviet Union and its allies for alleged violation of human rights boomeranged with the failure of Secretary of State Vance's attempts to get the Strategic Arms Limitation Talks going. In Moscow, at the end of March, 1977, Vance was told in no uncertain terms by Leonid Brezhnev that U.S. interference in the internal affairs of the Soviet Union was a serious breach of international etiquette. The Soviet Union was especially irked by the American support for political dissidents. For them the campaign was a thinly veiled attempt to attack the U.S.S.R. The Soviet Foreign Minister Gromyko too declared that while the human rights issue did not form the subject of the Moscow discussions, it certainly "poisoned the atmosphere".¹⁶

The Latin American Fallout

However, the more lasting "fallout" of the campaign came from the relations with American allies, especially in Latin America. Latin America has always been known for coups and dictatorships. It has also been known as the backyard of the United States where, by the grace of the Monroe Doctrine, the writ of Washington runs large. The existence of dictatorships, which are almost endemic to the region, has created some of the worst violations of human rights anywhere in the world. An American study has quantified political repression in that region (Table I).

The same study also indicated the dimensions of the human right violations all over the world. It indicated that there were 55,000 political prisoners in Indonesia, from the original 500,000, and that South Korea had some 200-250 prisoners and an unknown number killed or "missing." But the report was somewhat circumspect in dealing with Iran. Most governmental statements on Iran were, however, circumspect and cited Iranian government claims to indicate that the 100-250 political prisoners were only Communist terrorists.¹⁷

The Carter campaign followed the recommendations of the

TABLE I

Country	Political Prisoners	Missing Persons
Argentina	14,000-15,000	8,000-9,000
Paraguay	338-458	N.A.
Brazil	700-800 (1977)	
	2,000 (1978)	
Chile	N.A.	15,000
Uruguay	2,000	N.A.
El Salvador	N.A.	80-90
Nicaragua	500	N.A.

SOURCE: U.S. House of Representatives, Committee on International Relations: Subcommittee on International Organizations (1978).

Committee which advocated action against the violators of human rights subject to American strategic concerns. Latin America was made to appear as a primary focus of the campaign which was, in reality, aimed against the Soviet Union. Aid cut-offs were announced in the case of Argentina, Uruguay and Ethiopia (by now already leaning towards the Cubans). However, between February 1977, when the cut-offs were announced, and March, Argentina, Uruguay, Brazil and Guatemala, in a remarkable display of unity and apparent disdain for the U.S., announced that they would not accept U.S. aid even if it was proffered to them.¹⁸

There was, of course, more than met the eye at this remarkable turn of events at the backyard of the U.S. The genesis of this development must be traced to the trends that had been shaping in the region for a while. Following the Cuban revolution and the American *cordon sanitaire* around that country, there had been an upsurge of revolutionary activity inspired by Fidel Castro and his band. After having helped in stamping it out, the U.S. also encouraged in the development of the region on the pattern of South Korea and Taiwan. Authoritarian regimes were institutionalised and credit began to pour in from multilateral agencies (not directly from the U.S. government agencies) that saw in fostering capitalist development a better guarantee for the continued stability of the area than an overt American presence.

By the time of the period under discussion, the pattern of U.S.-Latin American relations had undergone a change as indicated by Table II.

This table outlines the transformation of three major Latin American countries from direct client-state relationship to one of indirect dependence fostered mainly through American-dominated multilateral funding agencies like the IBRD (World Bank), the IMF, the IDA and the Inter-American Development Bank. The Administration moved to order American directors to veto the applications for financial assistance, but within a year, bowing to business pressure, withdrew the veto.¹⁹

TABLE II
FOREIGN ASSISTANCE TO SELECT COUNTRIES
(in millions of dollars)

Country	1972	1973	1974	1975	1976	1977
<i>Argentina</i>						
Direct	—	—	—	0.1	—	—
Indirect	527.9	180.1	154.4	415.3	490.2	584.0
<i>Brazil</i>						
Direct	20.8	52.8	15.4	14.2	3.3	3.9
Indirect	1373.8	781.3	414.8	1165.4	1479.5	1185.9
<i>Chile</i>						
Direct	7.4	3.7	8.9	94.2	78.1	24.0
Indirect	50.6	63.7	565.1	421.5	293.1	178.9

SOURCE: Center for International Policy, *Human Rights and the U.S. Foreign Assistance Program: Fiscal Year 1978, Part I, Latin America*.

Equally interesting was the fact that even in a sphere completely within its control, the policy was applied in a less forthright manner. Argentina's arms sales credits were reduced from 48 million dollars to 15 million dollars but the cash sales were allowed to rise from 5 million dollars to 15 million dollars and the commercial sales agreements remained stationary at 3 million dollars. This represented an actual reduction of 23 million dollars. In the case of Brazil, too, the total U.S. "Security Related Transactions" were cut by a mere 10 million dollars from a total of some 115 million dollars.²⁰ Equally important is the fact that, in the 1970s, the U.S. ceased to be the dominant arms exporter to the Latin American states. Western Europe and Israel and, in the case of Peru, the Soviet Union appear to challenge the former American monopoly in this field. Thus, a policy of toughness towards the Latin American dictators, using arms and aid cut-offs, was built on hollow foundations.²¹

At the end of 1978, Richard Fagen of Stanford University noted that for all its rhetoric the Carter policy was significantly ineffective. American policy towards that region continued in its old course. More significantly, Fagen pointed out:

Minimal honesty requires that repression in both its physical and financial dimensions be seen as an organic aspect of what is now the prevailing mode of economic development in Latin America.²²

For the US to undertake policies which would cure the symptoms but not the disease that afflicts Latin America was highly ambitious and a bit foolhardy. The economic policies initiated in that region were of American inspiration and funded through American

controlled multilateral institutions. The recent controversy on the IMF credit to India has brought out the role of such agencies in laying down not only economic, but more questionably, even political conditions for providing credits and assistance.

“National Security” vs. “Human Rights”

In 1978, several events began to take shape which brought about unbearable strains upon the Carter policy of projecting “human rights” as a central issue of foreign policy. At the beginning of that year, President Carter visited Iran. Upon being questioned as to whether he had raised the issue of human rights with the Shah, a notorious violator as well as a staunch American ally, Carter declared that he had done so. His impression was that the Shah was “very deeply concerned about human rights” and that the much talked about problem of human rights in Iran stemmed from that country’s anti-communist laws which were “very similar to the laws that we have enforced in the past very rigidly (in the U S)”.²³

Almost from the day Carter departed from Iran there began a train of events that saw ever bloodier demonstrations against the Shah and that culminated in his overthrow a year later. Given the fact that the Shah was the corner-stone of American security policy in the region, his fall was a great setback for the U S. Critics were quick to accuse Carter of contributing to the downfall of the Shah by pushing him towards liberalisation and thus encouraging the revolutions. However, there is no confirmation that Carter did indeed push the Shah or that the events that culminated in the Shah’s fall were encouraged by the “human rights” campaign. For many critics, the accusation was a *post facto* rationalisation of their general critique of the Carter Administration. As a matter of fact, the Carter Administration as well as the Congress accepted that the Shah ought to be given a unique exemption in the “human rights” campaign. The Shah continued to demand and receive advanced weaponry as well as verbal support. As late as December 1978 Carter reiterated his support for the Shah. As for other measures, it is doubtful whether, then or even now, the U S would have been willing to risk military intervention.²⁴

Along with the events in Iran began another train of events, this time in Central America. Nicaragua had been long ruled by a particularly brutal dictator, Anastasio Somoza Debeyle. Like many others of his ilk, he was a “key” component of the American policy in Latin America. When the bloody civil war to overthrow him erupted, Carter did not intervene on his behalf, but neither did he forthrightly jettison Somoza, a course that would have indicated that even when the chips were down, the U S would be willing to carry its “human rights” policy to the bitter end. Instead, the Carter Administration adopted an ambivalent attitude and attempted

to mediate in a conflict that had become bloody and bitter.²⁵

It can be safely assumed that the concern for human rights as a central issue in American foreign policy came to an end with the Soviet intervention in Afghanistan. From that point onwards, Carter increasingly took up a neo-cold war rhetoric. Whereas the State of Union Message in 1978 and 1979 squarely projected the "human rights" campaign, the one delivered in January 1980 had a tone that was similar to any delivered at the height of the cold war. Remarkably enough, when the Saur Revolution had actually occurred in April 1978, Carter had not been overtly concerned, in spite of the fact that a pro-Soviet regime had come to power. Even after the Soviet intervention, after having called it the most dangerous threat to world peace since the World War II, he forebore any direct military response.

Although it appears that the Carter Administration in this phase did not see the use of American military power as an instrument of foreign policy, given the fact that the Rapid Deployment Force was organized only at the end of 1979, it may not be too far-fetched to argue that the American military machine was just not ready to intervene in ground conflicts outside its area of normal deployment.

In projecting "human rights" as a central issue in his foreign policy, Carter used somewhat heightened rhetoric against the Soviet Union and attempted to *de-link* "human rights" from other East-West issues. This led directly to the failure of the SALT talks. In the case of the Latin American states, Carter sought to *link* "human rights" to every issue of U.S.-Latin American relations. This confusion could not but have been noticed by both the Soviets and the Latin American regimes. In this context it may be mentioned that Carter's call for reducing American forces in South Korea too added to the confusion. Firstly, it seemed that that nation was exempted from the aid cut-offs on grounds of "national security" and then it was argued that the "security" problem no longer existed.

Contradictions abound in the Carter policies. After calling Pol Pot "the worst offender of human rights in the world" in 1978, the Administration pressed for the continuance of U. N. recognition for the deposed leader of Kampuchea. Another aspect was visible in the Administration's record arms sales proposals in 1977. After having proclaimed its desire to curb the American arms sales programme in the interests of human rights, the Administration was doing "business as usual" with the primary American client—the Shah of Iran.²⁶

It is clear that not only was the campaign for "human rights" flawed in its conception but in its conduct as well. If any single issue brought out these elements of the policy, it was the Iranian crisis and the Carter Administration's handling of it. To accept uncritically the "national security" vision was an error but to have attempted to impose a moral vision of his own upon it was, to say the least,

foolhardy. Far from beginning a "cultural revolution" in American foreign policy, Carter ended up advocating a new containment of the Soviet Union.²⁷ American foreign policy had come full circle.

- 1 See Stanley Hoffmann, "Requiem", *Foreign Policy* (Washington, D. C.), No.42, Spring 1981 3-26.
- 2 Lawrence H. Shoup and William Minter, *Imperial Brain Trust: The Council on Foreign Relations and United States Foreign Policy*, New York, 1977, Appendix II.
- 3 Jimmy Carter, *A Government as Good as its People*, New York, 1977, pp. 168-171.
- 4 "Campaign Platform of the Democratic Party, adopted July 14, 1976 by the Democratic National Convention in New York", Elaine P. Adams (ed.), *American Foreign Relations 1976: A Documentary Report*, New York, New York University Press, 1978, pp. 491-493.
- 5 "Debate on Foreign Policy: Verbatim record of the televised debate between President Ford and Governor Jimmy Carter, Democratic candidate for the Presidency", *ibid*, p 513. The entire debate brought out Carter's stand on "morality-in-politics".
- 6 Zbigniew Brezezinski, "American Policy and Global Change", remarks made to the Trilateral Commission meeting in Bonn, October 1977, Elaine P. Adams (ed.), *American Foreign Relations 1977: A Documentary Record*, New York, 1979, pp. 454-456.
- 7 Noam Chomsky, *Human Rights and American Foreign Policy*, Nottingham, 1978, pp 47-55.
- 8 U.S. Library of Congress, Foreign Affairs and National Defense Division of the Congressional Research Service, *Human Rights in the International Community and in US Foreign Policy* (Washington, D. C., 1977), prepared for the Subcommittee on International Organisation of the Committee on International Relations, House of Representatives. See Appendix B for "Legislation Enacted on Human Rights", pp. 48-56.
- 9 *New York Times*, May 8, 1976, p. 1
- 10 *Ibid*, January 2, 1977, p.1.
- 11 "Inaugural Address of President Jimmy Carter, Delivered at the Inaugural Ceremonies at the Capitol," as well as "Remarks to the People of Other Nations, Recorded for Broadcast by the United States Information Agency", January 20, 1977, pp. 154-158.
- 12 *New York Times*, February 1, 1977, p.1.
- 13 *Ibid*, February 18, 1977, p.3; March 2, 1977, p.1; February 9, 1977, p.1 and February 24, 1977, p.1.
- 14 *Ibid*, February 25, 1977, p.1
- 15 "Foreign Policy and National Character", Commencement Address by President Carter at the University of Notre Dame, Notre Dame, Indiana, May 22, 1977, no.6, pp. 171-78.
- 16 *New York Times*, March 29, 1977, p.5.
- 17 U.S. Library of Congress, Foreign Affairs and National Defense Division, Congressional Research Service, *Human Rights Conditions in Selected Countries and the U.S. Response*, report prepared for the Sub-committee on International Organisations of the Committee on International Relations of the U.S. House of Representatives (Washington, D.C., 1978).
- 18 *New York Times* March 2, 1977, p.10 and March 12, 1977, p.1.

- 19 *Washington Post*, October 28, 1978, p.1; for a detailed study of the amplification of this shift see, Cheryl Payer, *The Debt Trap: The IMF and the Third World*, Harmondsworth, 1974.
- 20 Center for International Policy, *Human Rights and the U.S. Foreign Assistance Program: Fiscal Year 1978, Part I—Latin America* (Washington, D.C., 1978), see Tables on pp.18 and 20.
- 21 David Ronfeld and Caesar Sereseres, "U.S. Arms Transfers, Diplomacy and Security in Latin American and Beyond Rand Corporation Papers", vol.8, 1977, pp.1-58 and Stockholm International Peace Research Institute, *World Armament and Disarmament Yearbook. 1973*, Harmondsworth, 1974, p. 308.
- 22 Richard R. Fagen, "The Carter Administration and Latin America: Business as Usual", *Foreign Affairs* (New York), vol.57, no.3, Special Issue "America and the World, 1978", p. 666.
- 23 *Weekly Compilation of Presidential Documents*, vol. 14, no. 1 (January 7, 1978), p. 47.
- 24 One example of such critics is George Lenczowski, "The Arc of Crisis", *Foreign Affairs*, vol. 27, no. 4 (Spring 1979), pp. 809, 807-808, *Weekly Compilation of Presidential Documents*, vol. 14, no.50 (December 12, 1978), pp. 222-226.
- 25 Statement by Secretary of State Vance in the plenary session of the 33rd regular session of the U.N. General Assembly, September 29, 1978, Elaine P. Adams (ed.), *American Foreign Relations, 1978. A Documentary Record*, New York, 1979, p. 508.
- 26 P. M. Kamath, "Carter Presidency and Congress: A Study in the Executive-Legislative Relations", *Journal of the University of Bombay: Arts, Humanities and Social Sciences*, vol. XLVI, no.62, October 1977, p. 223.
- 27 Thomas L. Hughes, "Carter and the Management of Contradictions", *Foreign Policy*, No. 31 (Summer 1978), p. 38.

NOTE

Role of Women in Rural Development

THE subject of "Women and Development" has invited a good deal of attention, especially in the case of rural women, in recent years, and rightly so. Women constitute about 50 per cent of the world's population and one-third of its total labour force. The overwhelming majority of women workers in rural areas is afflicted by problems of poverty, unemployment and underemployment. Historically, the sustained labour of women has been the pivot of the village economic system. Rural women share abundant responsibilities and perform a wide spectrum of duties in running the family, maintaining the household, attending to farm operations, tending domestic animals and engaging in rural artisan work and handicrafts. But female labour engaged in such activities is usually not measured in economic terms. An implicit assumption is made that the woman is basically a mother and housewife; any productive work she carries out is considered socially secondary, an extension of her primary function, and thus it has tended to remain unnoticed, more so in the case of rural women. As for the productive activities, those women who are from lower classes have always participated in them, but they suffered as members of the working class on account of two forms of exploitation—one with regard to wage differentials and the second with respect to their position as the main component of the reserve army of labour.

In the analysis of poverty of underdeveloped nations and the possibilities of economic development, the contribution of male labour is given a prominent place, but the contribution of women and the possibilities of mobilising their unutilised labour for economic development are generally overlooked. As a result, while economists have been concerned with male unemployment and while some attention is paid in the development programmes to the use of those production methods which do not drive men out of employment, displacement of women workers in the process of economic development is not considered to be of much consequence. To see the role of women in its

proper perspective, the part played by women in rural society has to be considered in terms of its economic value rather than as a mere social contribution. There is a need for proper assessment of the participation of rural women in income generating activities and their contribution to economic development.

In our country the population of women is about 49 per cent of the total but their labour participation rate is much lower compared to many other countries; indeed it is as low as 25 per cent. Of all working women in our rural areas 50 per cent are agricultural labourers, while 30 per cent are from poor peasant cultivator families. According to one estimate (1977-78), in the age group of 15-59 the proportion of rural women in the total labour force was 39 per cent. In the same age group, nearly 60 per cent of women in rural areas were gainfully employed. One of the features of the Indian labour force, as several studies have pointed out, is the downward trend in female work participation. This paper seeks to study the mode of utilisation of labour sex-wise and activity-wise among different categories of families, viz., agricultural families, artisan families and agricultural labour families to investigate the role of female labour.

Methodology

The study was carried out in one of the villages of Warangal, a backward district in Andhra Pradesh. The village has 2100 households of which 75 per cent are cultivators, 5 per cent artisans and professionals, and 20 per cent landless labourers. Among cultivator households 56 per cent are 'large' cultivators with landholding above five acres, and the remaining are 'small' cultivators with holdings less than five acres. All the households in the village were classified into three groups: a) agricultural, b) professional and artisan and c) agricultural labour. An equal sample of 20 from each of the categories was selected on the basis of stratified random sampling. Agricultural households were further classified into 'small' with less than five acres and 'large' with more than five acres. An equal sample of 10 from each group was selected. The artisan families in the sample mainly comprise weavers, blacksmiths, carpenters and petty trading people.

The data were collected through a pre-structured questionnaire and schedules. The data pertain to the agricultural year 1980-81. Work hours for various activities were converted into standard work days of eight hours.

Women who are usually busy with domestic work provide subsistence labour in work like looking after dairy, poultry or orchard. In a developing country like ours with a considerable share of non-monetary transactions in rural areas, these workers should be identified as active and part of the labour force. Thus the self-employed in unpaid but income-supplementing activities in the nature of crop-husbandry,

dairy, poultry and artisan work are considered to be engaged in gainful economic activities. Thus economic activities in this study include crop husbandry, dairy, poultry, artisan work and hired-out labour.

Results and Discussion

Table I indicates that, taking economic and domestic activities together, women work for a larger number of days and for longer hours in a day. The average standardised work days for men and women are 210.8 and 417.8 respectively. The average working hours per unstandardised day for men and women are 4.6 and 9.1 respectively. Thus women's work hours per day are almost double that of men. The work days in economic activities (total work days minus work days for domestic purposes) for men and women are 203.5 and 212.7 respectively. It clearly shows that the participation rate measured in the number of work days is slightly higher among women as compared to men. This is a clear indication that women who are basically housewives are also engaged in economically productive work in addition to their domestic work. All the men in the sample agreed that their wives were working for longer hours and also that their wives' work was more arduous.

However, some variations exist in the case of total work days of men and women in the three categories of households. The total work days of men in agricultural, artisan and agricultural labour families are 177.1, 315.7 and 139.8 respectively. The corresponding work days for women are 456.9, 428.5 and 368.4 respectively. Men in the second category (artisans) are working for more days, followed by agricultural and agricultural labour families. The smaller number of work days of men in the first and third categories can be attributed to some extent to the partial drought during the year under reference. Among agricultural families, small farmers work for a larger number of days as compared to large farmers. Among women, the first category had the highest number of work days followed by artisan and agricultural labour families. As far as the economic activities are concerned, women in the first category had the highest number of work days in economic activities, followed by those in the agricultural labour category and then those in the artisan category. It can be observed from the table that the agricultural labourers, both men and women, are getting work for fewer number of days as compared to the other two categories, and this clearly shows the extent of under-utilisation of labour among agricultural labourers.

If we express the labour contribution in terms of money rates obtained at the prevailing wage rates the contribution of men is Rs. 1015.50 per year and that of women is only Rs. 425.40. This low level of contribution of women in terms of money can be explained by the difference in wage rates—Rs. 5.00 per day for men and Rs. 2.00 for women.

TABLE I
THE PATTERN OF WORK PARTICIPATION AMONG DIFFERENT CATEGORIES OF RURAL HOUSEHOLDS BY SEX AND
ACTIVITY (IN STANDARD WORK DAYS PER YEAR)

Sl. No.	Activity	MEN					WOMEN						
		Agricultural Households					Agricultural						
		Small Holding < 1 acre	Large Holding 1-5 acres	All Families	Artisan	Agril. Labour	Small	Large	All	Artisan	Agril. Labour	All House-holds	
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	Crop husbandry	226.6 (97.4)	121.6 (100)	174.1 (98.3)	20.5 (6.5)	15.0 (10.1)	69.8 (34.4)	93.5 (20.0)	106.2 (23.5)	99.8 (21.9)	18.0 (4.2)	18.0 (4.8)	45.3 (10.9)
2	Dairy	...	...	...	...	...	...	100.5 (21.8)	145.8 (32.1)	123.1 (26.9)	41.5 (9.6)	...	54.8 (12.9)
3	Poultry	...	...	...	...	...	...	9.1 (1.9)	9.1 (2.1)	9.1 (2.0)	4.6 (1.0)	...	4.6 (1.2)
4	Professional/Artisan	...	...	...	292.8 (92.7)	...	97.6 (45.1)	...	...	...	127.7 (29.8)	...	42.6 (10.2)
5	Hiring out labour	...	...	...	...	108.3 (78.8)	36.1 (17.1)	39.1 (8.1)	...	19.6 (4.2)	45.1 (10.2)	131.9 (35.8)	65.4 (15.6)
	Sub-total work days	226.6 (97.6)	121.6 (100)	174.1 (98.3)	293.3 (92.2)	123.3 (88.9)	203.5 (96.6)	242.2 (51.8)	261.1 (57.7)	251.6 (55.0)	236.9 (55.3)	149.9 (40.6)	212.7 (50.8)
6	Domestic work	6 (2.6)	...	3 (1.7)	2.4 (0.8)	16.5 (11.1)	7.3 (3.4)	218.9 (48.2)	191.1 (42.3)	205.3 (45.0)	191.6 (44.7)	218.5 (59.4)	205.1 (49.2)
	Total work days	232.6 (100)	121.6 (100)	177.1 (100)	315.7 (100)	139.8 (100)	210.8 (100)	461.1 (100)	452.9 (100)	456.9 (100)	428.5 (100)	368.4 (100)	417.8 (100)

NOTE: 1) 'Standard work day' means a day of eight hours of work.

2) Figures in parenthesis indicate percentage.

3) Crop husbandry includes rearing of milch cattle also.

The analysis of the composition of work of men and women is interesting. Among agricultural families men work for 98.3 per cent of their work days in crop husbandry and rearing of milch cattle. Among artisans 92.7 per cent of work days is engaged in artisan and professional work and is followed by 6.5 per cent in crop husbandry and 0.8 per cent in domestic work. Among agricultural labour families hired-out labour constitutes 78.8 per cent of total labour days followed by 11.1 per cent in domestic work and 10.1 per cent in crop husbandry. For men of all categories of families, professional and artisan work constitutes the largest share (45.1 per cent) and is followed by crop husbandry (34.4 per cent), hiring out labour (17.1 per cent) and domestic work (3.4 per cent).

The findings of the present study conforms to the general observation that among women, domestic work constitutes the major share of total work days (49.2 per cent). This is followed by hired-out labour (15.6 per cent), dairy (12.9 per cent), crop husbandry (10.9 per cent) and artisan work (10.2 per cent). However, it is found that considerable variations exist in the composition of work days among the three categories of families. Among agricultural families domestic work constitutes 45 per cent, dairy 26.9 per cent, crop husbandry 21.9 per cent and hired-out labour 11.2 per cent. In the case of artisan families, domestic work constitutes 44.7 per cent and is followed by artisan work 29.8 per cent, hired-out labour 10.9 per cent, dairy 4.6 per cent and crop husbandry 4.2 per cent. A marked difference is observed in the case of agricultural labour families where domestic work, hired-out labour and crop husbandry constitute 59.2, 35.8 and 4.8 per cent respectively. The higher percentage of domestic work among agricultural labour families results from two facts: (i) economic activities like hired-out labour and crop husbandry absorb fewer number of days and (ii) dairy farming is completely absent. The greater weight of domestic work, in other words, is a reflection of the limited opportunities available outside.

Based on the sample survey an estimate is made for the village in order to quantify the extent of work participation of men and women on the basis of weightages assigned for the three categories of families (16, 1 and 4, based on the village level classification of families into these three categories). Table II shows the estimate for men and women. On an average, men worked for 176.5 days while women worked for 437.8 days. Work days in economic activities for men and women are 171 and 230 respectively. This clearly indicates that women are a significant factor as productive workers among the rural poor. Among men, 77.2 per cent of work days relates to crop husbandry, 11.2 per cent to hired-out labour, 82.2 per cent artisan and professional work and 3.0 per cent to domestic work. On the other hand, among women, domestic work constitutes 47.4 per cent and is followed by dairy (21.4 per cent), crop husbandry (18.8 per cent) and

artisan and professional work (1.0 per cent). Thus among men and women, crop husbandry, dairy and hired-out labour constitute major types of work where most of rural labour is employed.

TABLE II

"VILLAGE LEVEL ESTIMATE OF WORK PARTICIPATION" BASED ON WEIGHTED*
AVERAGE FOR ALL HOUSEHOLDS IN THE VILLAGE IN STANDARD WORKDAYS.

SI. No.	Activity	Men	Women
1	2	3	4
1	Crop husbandry	136.4 (77.2)	80.3 (18.8)
2	Dairy	...	95.7 (21.4)
3	Poultry	...	7.1 (1.6)
4	Professional/Artisan	14.0 (8.2)	5.1 (1.0)
5	Hiring out labour	20.6 (11.6)	42.2 (9.8)
	Sub-total work days	171.0 (97.0)	230.4 (52.6)
6	Domestic work	5.5 (3.0)	207.4 (47.4)
	Total work days	176.5 (100)	437.8 (100)

NOTE: * 1) Weightages for agricultural families 16
Artisan families 1
Agricultural labour families 4
Total 21

2) Figures in parenthesis indicate percentages to total.

Summary and Conclusion

The above analysis clearly indicates that rural women are significant as productive workers. They are engaged for a larger number of standardised work days in a year owing to longer hours of work in a day in all activities compared to their men counterparts. The role and work participation of women measured in work days in economic activities proper, such as crop husbandry, dairy and hired-out labour and artisan work, is also slightly higher compared to men. However, their contribution in money terms, when labour in economic activities is valued at prevailing market rates, seems to be moderate (50 per cent of men's contribution). The heavy work and low financial returns clearly reflect the travails of rural women. The female participation rate is higher among cultivator families compared to artisan and agricultural labour families. In the first category, dairy and crop

husbandry provide the more important source of employment to women while crop husbandry provides demand for hired labour from the agricultural labour families and has a greater potential for increasing the role and participation of women in agriculture.

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BOOK REVIEWS

Amiya Bagchi and Nirmala Banerji (ed.), *CHANGE AND CHOICE IN INDIAN INDUSTRY*, K. P. Bagchi and Co., Calcutta, 1981.

THIS volume grew out of deliberations, in 1977, of a group of economists 'actively researching in the field of industrial economics in India'. As such, it reflects, and is instructive of, the state of analytical understanding of the Indian economy. The optimistic era of plan modelling when growth paths were neatly and confidently charted under constraints, believed to be accurately identifiable, as well as the heyday of 'development theory' which saw a spurt of bold hypotheses 'explaining' where the essence of backwardness lay and the palliatives thereof—appear well past. The scenario of industrial growth is now acknowledgedly complex. While our knowledge about what can be ruled out as plausible explanations, say of the deceleration of industrial growth, appears to be relatively certain, we have as yet less definiteness about constructive and comprehensive explanations.

The papers included in the volume reflect this state of affairs. Further, even leaving aside the understanding of the processes at work, there appear to be vexed questions about the basic definitions—such as, of the 'small sector', 'industrial capacity', appropriate categorisation of business units—which nevertheless continue to be used loosely in industrial policy. There are also questions about the efficacy of industrial policy and about the suitability of the norms used to judge their efficiency, and the meta-question of all, the social vision that explicitly or implicitly informs the policy frame.

The papers put together in the volume echo all these concerns and raise significant questions. They also reflect the dotty analytical preceptions, yet to be cohered into a neat, structured view or a set of views. They can be broadly classified under three general themes. The first concerns alternative hypotheses regarding the pace and pattern of industrial growth (particularly the 'stagflation' after the mid-sixties), the second focusses on the industrial structure, raising queries about economies of scale, technological options, characterisation of and trends in business concentration, examining both basic definitional issues as well as public policy in relation to these, and the third raises the more general questions of development alternatives—the strategy of export-led growth, of import of technology and of the overall vision of industrialisation.

K. S. Krishnaswamy's short inaugural address sets the tone for the discussions. He points out that the growth of industries since the

fifties has not been 'unimpressive' in terms of number of factories, the share of manufacturing sector in gross domestic product, the growing role of the public sector (especially, in the basic and capital goods) and yet there is disturbing evidence that stagnation and sickness have set in in many industries. He only hints at the lack of resilience in industry and of the development as yet of 'an industrial culture'.

A. K. Bagchi surveys the constraints operative mainly on the factory sector and presents a critique of alternative hypotheses offered for the slow pace of industrial growth. He refutes, with supportive evidence, the hypothesis that the supply of finance has been an effective constraint on the expansion of industry. In fact, with a number of publicly created institutions facilitating the extension of credit and its provisioning on easy terms, business firms have come to depend substantially on term lending institutions rather than on internal financing or on share capital issues. This fact, the tardy growth of the share market, is also noticed by Dalal and Lahiri. Bagchi notes, of course, the discrimination involved in the access to such credit avenues and the favourable position of large business houses as well as the inter-regional differences in credit dispensations. But his real emphasis is on the constraint on the home market. He sees the root of the malady plaguing Indian industrialisation since 1950 in the extreme inequality of incomes. The failure of Indian capitalists to invest productively the surplus value they appropriate is seen to arise primarily from the monopolistic practices of the ruling capitalists and landlord classes. The extremely high rates of surplus value arise from, and in turn reinforce, the extreme inequities in property ownership. Though public investment and import substitution gave an initial impetus to industry in the post-independence years, the development was geared mainly to generate incomes in upper ranges. The concentration of incomes in the higher ranges did create demand for consumer durables but this was neither steady nor substantially large. This fact, coupled with the bias towards import of technology which is capital- and import-intensive, slowed down generally the growth of employment and incomes, in turn restricting demand growth (Bagchi elaborates the growing technological dependence, providing a number of illustrations).

Bagchi argues that public sector expenditure, usually considered as a *deus ex machina* to solve the problem of industrial retrogression, itself suffers from 'the structure of Indian society'. In fact, he argues that a redistribution of incomes and economic decision-making power towards the poorer sections of the population is a pre-condition for an unfettered growth of public sector itself. He, accordingly, prescribes reliance on indigenous technology, decentralisation of decision-making, public accountability and rules enforcing on the public sector greater use of labour-intensive techniques and a shift towards the production of mass consumption goods.

Bagchi's canvas is rather wide and the hypotheses rather too general. He does not follow up the implications of his proposals. Probably the same constraints of 'social structure' which he recognises as currently operative could vitiate the plan of 'decentralisation'. The mobilisation of surplus adequate to finance public production of mass consumption goods is bound to pose a problem, even if we leave aside the question of commodity distribution. Food grains illustrate a situation where substantial increases in production have not averted price rises or maldistribution. The strategy of encouraging labour-intensive, small-scale production, within the present set-up, has not had the kind of success Bagchi would anticipate. Evidently Bagchi has in mind a much vaster design of state policy which would be required in order to integrate together the individual components he spells out.

Deepak Nayyar's paper also stresses the deficiency-of-demand argument and is also couched in rather general terms.

After discussing and rejecting a number of alternative hypotheses attempting to explain industrial stagnation after the mid-sixties, for example, those relying on conjunctural and exogenous factors like wars, droughts, infrastructural constraints or the oil-shock (on the grounds that they do not explain the long-term character of the stagnation), or those focussing on the resource allocational inefficiency of licensing and controls (on the grounds that the more controlled regime of the sixties saw faster growth than the more 'liberalised' regime thereafter and that the premises of the argument rest on static competitive models inadequate for dealing with the dynamic setting of growth), or those highlighting agricultural deceleration (on the grounds that periods of improved agricultural performance have not *per se* led to faster industrial growth), or those emphasising the stagnation in real public investment (on the grounds, among other things, that public investment itself is equally constrained by the 'demand factor'), Nayyar concludes that any satisfactory explanation of stagnation cannot ignore "the relationship between income distribution, the demand factor and industrial growth". While focussing on the 'demand factor', which he believes has been neglected, Nayyar attempts to unify it with other arguments, particularly bringing in the role of public investment and of the agricultural surpluses. His description of the growth process since 1950 runs as follows: "Irrespective of the income distribution at that time (i.e. 1950-66), there was an assured domestic market the size of which was determined by the level of imports and the size of excess demand for importables. This guaranteed source of demand was exhausted once import substitution in consumer goods was virtually complete, and the capacities created in the capital goods and the intermediate goods transcended the prudent needs of the final goods sector". Nayyar considers that the search for export markets would not be fruitful. He argues that

“channeling increments in income to the poor is essential for sustained industrial growth”, along with mobilising the savings of the rich for industrial investment.

While it is not to be denied that a more equitable distribution of income would generate effective demand, particularly for mass consumption goods, Nayyar's hypothesis is over-general and over-simplified. Not having analysed the processes of income-generation actually operating in the economy, Nayyar cannot capture the very diverse trends that are obtaining in incomes of various classes of income earners. Consequently Nayyar cannot account either for the complexity of the *pattern of income distribution* or for the diverse trends in the outputs of different products even within the consumer goods sector (especially the luxury goods-necessities dichotomy may not be adequate to capture the complex trends). Nayyar does not also elaborate why he considers that public investment is constrained by the demand factor and not the other way round. In so doing, he appears to suggest as if ‘demand’ is the autonomous factor, the causation running from demand to investment. While certainly we may not take for granted that the simplistic real multiplier processes would operate in the Indian context, it is not clear how Nayyar would succeed in reversing the arrow of causation. How would the government ‘channel increments in income to the poor’ on a scale extensive enough to generate a steady and substantial push to ‘effective demand’? This is not to deny however that a steady growth of effective demand is a necessary condition for stable industrial expansion.

Prabhat Patnaik's contribution is a specific, sharply defined, crisp hypothesis—a ‘submodel’ as he himself characterises it in the discussions. Patnaik adopts the division of the economy into two sectors, public and private, rather than the usual dichotomy of agriculture and industry. The hypothesis offered by him rests on two sets of developments noticeable recently in the Indian economy, a rise in the share of the private sector surplus (i.e., the share of total output accruing to landlords and capitalists together) and a willingness on the part of the government to liquefy the surplus, i.e., purchase commodity stocks from the private sector, generating liquidity in its hands. Using a number of simple macro-balancing identities, Patnaik draws two inferences: (i) for any given ratio of private sector prices to wages and taxes, state holding of stocks of private sector goods raises the inflationary potential of a given step-up in public investment compared to a situation where the private sector itself holds these stocks, and (ii) with the state holding the stocks, the higher the ratio of private sector prices to wages and taxes, i.e., the greater the share of the private economic surplus, the greater the inflationary potential. The potential inflationary consequences of public expenditure depend not so much on the absolute size of stocks with the government as on their extent relative to the liquid resources at the

command of the private sector which it can release for speculative use. (Patnaik has in mind the extant situation of accumulated food and foreign exchange reserves in the hands of the government).

Patnaik places this single period analysis within the context of cyclical movements where a boom is led by public investment, providing a stimulus to private investment but where inflation forces the government to restrain investment. A slump follows, marked by unutilised capacities and accumulation of stocks. When the government purchases the private stocks at enhanced prices, the economic surplus accruing to the private sector increases as a share and the inflationary potential of a fresh increase in governmental investment is enhanced, despite the accumulated stock-holding in the state sector's command. The boom initiated by government expenditure is thus likely to meet the barrier of inflationary pressures even sooner in such a case. Patnaik sees the deceleration of agricultural growth as following such a slackening of public investment. Patnaik sees the play of speculative forces in creating the paradoxical situation of massive reserves with the government, low aggregate demand pressures and yet a substantial inflation. His major policy inference is that what is crucial is the government's control over the process of the use of savings in the economy and this cannot be had through 'budgetary tricks'.

Patnaik's hypothesis is indeed a 'submodel' to the extent that no explanation obtains within it as to why speculative activity acquires an edge over productive investment. The options discussed are so to say between the two assets, money and commodities. Also, no analytical account is provided of the determinants of loading and unloading of inventories or of rolling them over different stockpiles. No link is discussed between the level of production and the inventory demand, in particular whether the speculative demand has, in turn, any effect on production levels. Also, the role of government investment here appears mainly in the form of purchase of stocks. No aspects of its utilisation is further discussed. In other words, the submodel is mainly investigating the effects of asset-switching between money and commodities in a situation of a given level of aggregate output and the redivision of the real economic surplus that takes place further due to monopolistic pricing.

A second theme that significantly emerges in the papers is the structure of industrial organisation and the 'small industry' question. Sandesara runs over the usual arguments proffered to support the small industry case—the benefits of decentralisation, larger employment potential, capital saving etc. The evidence he examines cannot unequivocally support all of the usual hypotheses—that small units have a higher average cost of production per unit, less capital per worker, higher output but lower surplus per worker as well as per unit of capital as compared to larger units. Apart from the difficulties of the size and specificity of samples, these empirical observations, as

one-point estimates, do not by themselves mean much. A more bothersome question is what demarcates the small from the big. An important distinction which Sandesara points out is between the technical unit of the plant and the control unit. Given the multiplicity of criteria to demarcate the 'scale' factor and the specificities of products etc. there appears to be the need to approach the 'size question' bearing in mind individual products and processes.

The stratification question emerges at various other places. Nirmala Banerji voices misgivings whether the policy of supporting the 'small' does not overlook the facts that the 'small' may neither be 'small' in scale nor necessarily a small man's enterprise. The small industry could be a concealed extension of the big industry, strategically adopted to circumvent legal barriers or to avail of special facilities. She also points out that small units often pay subminimal wages and overexploit labour. Papola's misgivings also arise from the 'technological dualism' that the informal sector fosters, along with the segmentation of the labour market. He prefers an urban economic structure with integrated technologies and labour markets and a rapid growth of large-scale sector. He doubts whether a sustained employment growth can be generated by the small sector.

In contrast, the case study of Subir Kumar Das of the electrical fan industry is instructive in offering a concrete example of how technological innovation and enterprise may be productively combined in a decentralised production plan. It would seem that it should be possible to encourage technological independence and innovation, particularly when supported by adequate marketing opportunities. What emerges from the discussions is that it is not merely the 'smallness' that is crucial for policy purposes. The question has to be put into a wider perspective of technological, innovational independence, of employment and income generation amongst the vulnerable sections etc. Amulya K. Reddy's paper in the volume in fact addresses to a wider gamut of issues—the socio-political and philosophical vision behind a comprehensive programme for social transformation.

Two other papers that raise interesting questions about the structural aspects of the industrial sector are by Nasir Tyabji and N K Chandra. Tyabji examines the existing categorisation of the industrial sector in terms of business houses and groups and shows its limitations for analytical purposes. An aspect he emphasises is the control over capital that a business unit has and, on that basis, he suggests a two-way categorisation. In terms of the organisational forms, he divides the units according to whether they are proprietorships, partnerships, private limited companies or public limited companies. These are then divided alongside according to start-up—small, medium and big. While such a classification would certainly be of interest, especially for some class of problems linked with control over capital market, its analytical use needs further demonstration.

In a detailed study of the growth of the Indian monopoly capital Nirmal Chandra points out the peculiarity of its growth pattern: "Our monopolies had a relative decline in the thirties, a probable upswing in the fifties and then again a fall in 1958-66. The recession years of 1966-71 saw a reinforcement of monopoly strength whereas the next few years up to 1975 of comparatively limited prosperity saw a decline in the monopoly share." Nirmal Chandra is aware of the statistical difficulties in compiling the long-term trends, given the divergent definitions and coverage of successive studies which he has used. He does not infer from the pattern that the Marxist proposition on increasing centralisation of capital in the era of monopoly capital is contradicted but suggests that there is a distinct difference between the behaviour of monopoly capital in the West which passed through an era of unmitigated competitive struggle and the Indian monopoly capital. This point does require serious research.

We have no estimates of capital involved in speculative activities. Estimates of business concentration are difficult to obtain when the span of activities encompasses different industries and different spheres, including some that are unaccounted for or concealed. Legalistic definitions of product concentration or their 'measures' cannot capture the actual control over surpluses that business houses exercise. In fact, obvious concentration, such as large scale operation, may not be favoured when there are legal disincentives against it and a host of financial and other incentives are provided for the 'small' units.

Amarendra Bagchi's paper gives a critical overview of the export-led-growth strategy in operation. His diligently worked out empirical evidence on export incentives and their results in terms of export performance are certainly not encouraging. In a depressed world market, with scarcely any competitive advantage in terms of technology or access to international finance or trade network, the route of export promotion does not seem promising. Furthermore, a number of irretrievable steps are (and would be) taken in the name of aiding the exportability of products. Bagchi himself suggests a 'rational basis for export subsidisation' applying the criteria based on the DCRF (direct resource cost per unit of foreign exchange) relative to the shadow price of foreign exchange. It is by now well-known that there are a number of problems associated with that technique (such as the specification of the technology for the computation of DCRF, the choice of prices, the entire construction of the optimisation programme that yields the 'shadow price' of foreign exchange), apart from the fact that the 'rational basis' is provided on the basis of modified market criteria, ignoring a number of effects that cannot be captured in terms of these 'market prices'.

Two papers that stand somewhat apart from the themes

discussed above are: one by Ramprasad Sengupta on the measurement of Steel Capacity, an empirical exercise illustrating the methodological problems that arise in working out a meaningful concept of capacity, and the other by A K Bagchi and Subhendu Dasgupta on the import of technology and the legal process, a painstaking, detailed work that initiates research into a neglected aspect of technology imports.

The volume thus has succeeded in raising some important questions. The papers themselves are somewhat heterogeneous, in depth of treatment, range and quality. At the macro-level analysis, the volume has not thrown up many new ideas. But the papers bear witness both to the complexity of such hypothesis-construction, as well as to the on-going, persistent efforts at formulations.

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P. R. Brahmananda, THE IMF LOAN AND INDIA'S ECONOMIC FUTURE, Himalaya Publishing House, Bombay, January 1982, pp. viii and 96 (including nine appendices and statistical tables), Rs. 10.

THIS short book (the main text, excluding the appendices and tables, is only 50 pages long) was released around the time of the recent Book Fair in Delhi, accompanied by a generous dose of publicity. Brahmananda appears to have been persuaded to write it in large part by the appearance in November last year of the set of essays, *The IMF Loan: Facts and Issues*, published by the Government of West Bengal ¹ (hereafter referred to as *Facts and Issues*).

Brahmananda is categorically all for the loan. The fact that "an expert storehouse of financial and monetary information concerning most countries of the world" (p.3), "the technically most competent and financially most scrupulous organisation" (p. 1) has sanctioned the loan should itself be "a matter of great jubilation to proponents of the cause of the Third World....That such an organisation should have found India so highly creditworthy is a matter to be deeply pondered over"! (p.1). Many may fail to recognise the IMF in this bland description, but at least Brahmananda echoes the sentiments of the Government of India: the very fact that the IMF has agreed to the loan is apparently sufficient cause for self-congratulation, and almost sufficient sign that God's in his heaven and all's right with the world.

Nevertheless, in some quarters "a hue and cry has been raised that India's economic sovereignty has been surrendered"; and Brahmananda fears that because of "the great interest taken by the West Bengal Government and its spokesmen, attitudes may get crystallised towards the loan, particularly among gullible youth, primarily on the basis of political and ideological considerations, which have been carefully mixed up with purely economic considerations" (p. vi). He sees his book, then, apparently as an attempt to persuade those "whose minds are open" to take an "objective" view of the loan, particularly perhaps those who might have been swayed by the essays in *Facts and Issues*. There is a sombre list of charges against *Facts and Issues*: the book, it seems, did not present "all the true facts" of the case; did not examine "all the relevant questions and issues" or "all the feasible empirical evidence"; and, in any case, arrived at conclusions which did not follow from the facts and evidence, but which were introduced extraneously.

The book under review is not solely an attempted refutation of

the arguments advanced in *Facts and Issues*.² There are other things on offer, an appendix on whether devaluation would be sensible, another appendix on "the causes of the slow growth rate of the Indian economy", and so on. Most important from the author's point of view, there are various prescriptions on policy measures to be adopted following the loan, which go well beyond the immediate future, for Brahmananda sees the loan also as affording an occasion for a major reorientation of economic policy in this country. The central thrust of the major part of the book is, however, against the positions adopted in the essays in *Facts and Issues*; and in any case these positions constitute an essential point of reference from which one can attempt to assess Brahmananda's own arguments. It also turns out that the other parts of the book are less interesting than they might seem. Brahmananda's policy prescriptions (in Chapters V and VI), for example, add relatively little, matters of emphasis and minor eccentricities apart, to what the Government of India itself has set out at greater length in the "Statement of Economic Policies" (hereafter SEP) accompanying its Letter of Intent to the IMF.

Thanks to the efforts of N. Ram and an Executive Director of the IMF, rather than to any lapse on the part of our government, the circumstances accompanying the negotiation of the loan, the binding conditions attached to it, and, above all, the nature of the particular package of 'pragmatic' policies that the Government of India has stated in its Letter of Intent that it is committed to, are all well known by now. Readers of *Social Scientist* will also be familiar with the series of objections raised in the essays in *Facts and Issues* to the acceptance of the loan and the set of policies to which it commits the Government of India. Nevertheless, while a recapitulation of these objections here is unnecessary, it is probably worth emphasising some points regarding them, if only to avoid some of the hares that Brahmananda chases so energetically.

Firstly, if I have understood the arguments in *Facts and Issues* correctly, the objections are directed not merely at the 'performance clauses' specified by the IMF, but (a) at the general policy thrust which these clauses represent, and (b) more important, at the policy orientation as a whole evident in the full 'Statement of Economic Policies' of the Government of India. From one point of view, it is really immaterial whether this package has been imposed on a reluctant government, or has been voluntarily and actively accepted, or indeed is a product of the initiative of the government itself. A central set of objections are to the package itself rather than to the circumstances of its adoption. There is surely no suggestion in *Facts and Issues* that had the package been formulated by the Government of India quite independently of any negotiations with the IMF, then it would have been acceptable or non-objectionable, simply by virtue of being a 'sovereign' decision. (In fact, it has been argued elsewhere

that the SEP package "does not constitute a radical departure from the policies being pursued by the present government".³ This seems to me to be rather overstating the case, but at least it serves to focus attention on the policies themselves rather than on who formulated them). The issue of sovereignty was raised in *Facts and Issues* essentially with respect to two different questions. Firstly, as an immediate and 'practical' consideration, the conditions attached to the loan would leave the government with very little freedom of manoeuvre if, on the one hand, it commits itself to a strategy revolving around the availability of the loan and, on the other, contingencies ('exogenous factors') necessitate a violation of the conditions. Secondly, the package as a whole amounts to a major shift in priorities and positions, and this is a matter which should have been discussed openly within the country first, rather than being allowed to emerge piecemeal in a series of apparently small shifts in the years since the mid-1960's with the imprimatur of "the binding conditions of a supposedly absolutely essential foreign loan"⁴ now being allowed to set the seal to the last stage of the shift.

Further, there is not necessarily any disagreement about each and every objective set out in SEP. As Nayyar says, who could possibly disagree that the attainment of balance of payments equilibrium or the control of inflation, *ceteris paribus*,⁵ are desirable? Nor need there be any disagreement about some of the policies in SEP if they are stated singly and in general terms. The growth of non-Plan expenditures is to be curtailed in order to redirect resources towards the Plan. Domestic petroleum production is to be expanded. The performance of the public sector enterprises is to be improved. Again, who could possibly disagree? We are all on the side of the angels.

These are all very simple matters, and normally one would not belabour in this way the obvious point that the objections raised in *Facts and Issues* are directed at the policy stance as a whole, and the set of policy measures in SEP—except that Brahmananda conducts his argument at places as though the contributors to *Facts and Issues*, for example, positively oppose control of inflation.

All this said, what are Brahmananda's arguments against *Facts and Issues*? To begin with, he thinks that "what most of the West Bengal Government White Paper authors seem to be opposed to is conditionality" (p 19). If what I have said above is correct then this statement should be regarded as, at the very least, incomplete. Anyway, on this point he is at great pains to emphasise that the 'conditionality' of the IMF relates only to the binding 'performance clauses' (in paragraph 4 of the IMF decision). The much wider-ranging set of policy measures included in SEP and discussed at length in the IMF memorandum, should not be regarded as 'conditions'; the Letter of Intent is neither a contract nor a binding unilateral declaration, and the failure to implement any policies set out there does not automati-

cally imply ineligibility. Moreover, he argues, in the event of a failure of this kind, the Fund would be most reluctant to use any of its powers to cancel its decisions, as this would be "a serious international judgement on a member" (pp 19-20); in any case, the Fund accepts "as beyond debate a member's economic organisation" (p 20), and there "is no reason to believe that the conditionality instrument will imply a hidden power to control the levers of economic policy in any borrowing country" (p 21). And finally, the Letter of Intent was not dictated by the Fund; the policies set out there are those of the Government of India, enunciated voluntarily.

As for the conditions actually laid down by the Fund (i. e., in this version of the story the 'performance clauses' alone), we are told that the IMF imposes conditions on all loans other than reserve tranche loans, and that these conditions apply to all borrowers alike, "even countries like China, Kampuchea and Vietnam" (p.5) (this choice of countries to be thought of obviously as a neat outflanking manoeuvre!); the IMF does not in this respect act in a discriminatory way. Further, it is obvious that any lender requires safeguards against the inability of the borrower to repay the loan, and the IMF is, moreover, lending for the specific purpose of allowing a country to correct structural disequilibrium in the balance of payments. What then could be more natural than that conditions should be imposed, particularly conditions which ensure that the requisite structural changes are achieved? Why should this be regarded as any infringement of sovereignty?

It is not clear how seriously Brahmananda intends us to take all this, particularly as a little later (p.22) he denies that sovereignty has "any operational relevance in the current-day international world", on the grounds that there are commodity, capital and technology flows from one country to another! But this aside, it requires either a considerable measure of naivete, or else rather forceful special pleading, for one to be persuaded to accept the picture of the IMF that prevails in the book as a non-discriminatory patriarch merely overseeing the international payments system, occasionally assisting countries which run into balance of payments problems, and doing all this in a disinterested way, really quite unconcerned about the arrangements and policies peculiar to a country except insofar as they impinge on the ability of the country to attain balance of payments equilibrium and repay the loan. It is difficult to see even the binding 'performance clauses' simply in terms of guarantees of creditworthiness and a solution of the balance of payments problem. The conditions regarding multiple currency practices, import restrictions, restrictions on international payments, bilateral agreements and the clause on external borrowing by the government can be reconciled with the thorough-going commitment of the IMF to *laissez-faire*, but this is a commitment which extends indeed to "the levers of economic policy in any

borrowing countries”.

Or so one might have argued. Brahmananda does not think so; there is no significance of this kind to be attached to the conditions. Multiple currency practices? “The Fund has always been against multiple currency practices. It is possible to upset the process of restoration of equilibrium by resorting to such practices by seeking short-term gains” (p.6). Import restrictions? “The Fund has reason to frown upon additional import restrictions. ...” (p.6). Bilateral agreements? They “can upset servicing criteria” (p.6). He concludes that “a careful study will indicate that the Fund’s conditionality clauses are non-discriminatory and are designed with a view to making the best use of the loan and with a view to thwarting the misuse thereof” (p.6). Would that such a “careful study” establishing the neutrality of these conditions were forthcoming!

As for the Letter of Intent being merely an announcement by our government of ‘corrective’, ‘adjustment’ policies which the Fund in its magnanimity and disinterestedness regards as non-binding, surely the extraordinary episode of the clarification which the government had to provide that the phrase “consistent with national policies accepted by parliament” did not exclude “consultation” with the Fund on the adoption of measures—this episode alone should set to rest any illusions that the conditions regarding “close consultation”, “review”, the provision of “such information as the Fund requests” (paragraphs 4b, 4d, 10 and 11 of the IMF decision) are mere conventional polite phrases.⁶

But all this is really side-skirmishing. The real question is whether the IMF conditions should have been accepted by India, not whether “even China, Kampuchea and Vietnam” have to submit to them, or whether the IMF is reasonable from its own point of view in its requirements; and the real issue is not the formal one of ‘sovereignty’ and who inspired the policy package in SEP, but the substantive one of the content of this package and its implications.

Here Brahmananda is firmly in favour of the strategy laid out in SEP, and the measures he advocates are, by and large, the same. The primary consideration, amounting almost to an obsession, seems to be that of “reversing inflation rate”: the viewpoint he adopts is a longer one than that of the immediate balance of payments crisis. (He does see the checking of inflation as the major factor also in achieving balance of payments equilibrium: “Inflation is the enemy of export growth and keeps import demand at a high level.” But this argument co-exists uneasily with his insistence in Appendix 5 that devaluation will provide no solution, as exports are constrained basically by supply bottlenecks and our imports are primarily those of basic goods).

To this end a fairly predictable set of prescriptions is offered. Budgetary deficits are to be reduced through cut-backs in fiscal

subsidies, increases in the prices of public sector products, etc. Credit from the banking to the commercial sector should be reduced; interest rates should be raised (partly to encourage savings); the growth of money supply (the M_1 aggregate) should be limited to 5 per cent per annum, if necessary in steps over the years upto 1985. Imports should be liberalised, though in a selective way, so as to allow real investment to increase; import of the "most up-to-date technology" will also lower the incremental capital-output ratio and raise the growth rate; the public sector has to move towards agriculture "and related sectors"; restrictions on growth of capacity in essential lines will have to be got rid of" ("This control over monopolies and concentrations is not an end in itself but is an instrument for the attainment of better social and consumer welfare"), and so on.

His departures from SEP (excepting the addition of topical and not-so-topical prescriptions such as the elimination of corruption and recourse to SEMIBOMBLA) are piquant. The IMF conditions are in fact not stringent enough; credit ceilings should have been much tighter, and particularly bank credit to Government should be restricted to a ceiling of 1 per cent of G.D.P. per annum. This is the IMF/SEP soteriology with a vengeance!

Now the one outstanding merit in all this is that Brahmananda does not hedge in any way. These policies are seen as a departure from past policies and development strategy, and welcomed as such. The departure, in his view, has been long overdue. "Arbitrary allocative systems" and "mere ideological considerations" should give way to the market mechanism and 'pragmatic' considerations. There is even, in Appendix 7, a paean to 'supply-side economics'.⁷ "Ideologues" and "socialist spokesmen" will have to learn to live with the times; they should take stock of "the radical shift that has taken place in economic thinking in China"; the USSR has to import "large quantities of food". The balance of payments problem is temporary and the loan is welcomed as providing foreign exchange support during an 'adjustment process' along these lines. But it is almost as if the IMF loan is welcomed even more as providing the occasion for introducing the new strategy that the SEP policies amount to and express. If, as a consequence of all this, attention moves away from the immediate questions of the loan itself and of 'sovereignty', and focuses on the direction of development of the economy that has been decreed, the book will have served some purpose.

The particular strategy being followed now *may* succeed, in the sense of seeing us through the immediate balance of payments crisis. There is every reason to think, as Patnaik has argued cogently and at length, that it will not. The IMF memorandum itself says that "the path ahead is a daunting one", though it ascribes this to "such exogenous factors" as "an adverse international trading and aid

climate'' and ''the vagaries of the weather and its powerful and pervasive influence on the economy'', and this assessment carries with it the threat of ''a reassessment of program targets''. But even if the strategy succeeds in this immediate sense, the question of the character of the development of the economy over the future remains, and appeals to 'pragmatism' and 'non-ideological' approaches are hardly sufficient to settle this question.

Where in Brahmananda's book are the answers to some of the questions raised in *Facts and Issues*? The argument that the package of import liberalisation, a tight-money policy, cuts in government expenditure, which will most likely fall on food subsidies and welfare expenditure, increased recourse to indirect taxes and the raising of administered prices—that this package will have a highly inequitable impact is sometimes simply dismissed as ''ideological'', with the addition of a thumbing-one's-nose kind of comment that this ''ideology'' is not shared by the government which commands a parliamentary majority. Elsewhere he simply adopts the strategy of accusing the contributors to *Facts and Issues* of being pro-inflation (on the ground that they are opposed to a straightforward tight-money policy, the necessary and sufficient condition in his view for controlling inflation) and that, therefore, they are shamming, for inflation hits the poor.⁸ As to the argument that raising indirect taxes (for direct taxes are prohibited in 'supply-side economics') and administered prices will lead to price rises,⁹ while the simultaneous pursuit of a tight-money policy will have the effect of increasing unemployment also, his answer would probably be that ''the public'' will ''cheerfully'' bear considerable sacrifices in the interests of ''quick results'' (cf. p. 26). Similarly, the fears expressed that the strategy will not solve even the balance of payments problem, because while imports will grow (and are in fact budgeted to grow¹⁰) with liberalisation, we do not have control over our export markets, are answered apparently by the contention that exports are restricted essentially by supply bottlenecks¹¹ and that import liberalisation alone is sufficient guarantee that they will rise.

All this, especially the scattered jibes about Latin American and Cambridge radical circles (p. 30) etc., may be good debating tactics, but it is unlikely to carry conviction as economic analysis. Brahmananda ends with a quotation from Eliot:

Nothing is impossible, nothing,

To men of faith and conviction.

Let us therefore make perfect our will,

O GOD, help us.

Sadly, no irony seems to be intended.

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- 1 Reviewed by Sanjaya Baru, *Social Scientist*, Vol. 10, No. 1, January 1982.
- 2 I hope that not too much violence to the facts is done if I adopt the same simplification as Brahmananda and talk of 'the' position taken in *Facts and Issues*. The contributors to that volume may well take different position on many issues if pressed, but such differences are secondary in the present context.
- 3 Ashok Mitra, *Facts and Issues*, p. 10.
- 4 Baru in the review cited in Note 1, p. 63.
- 5 It is probably necessary to add the *ceteris paribus*, especially in view of the tendency in the book to treat control of inflation almost as the beginning and end of economic policy in this country. "If 'inflation' is used only to denote a certain rate of price increase, then the concept is neither significant, nor susceptible to simple prediction. The concern with inflation stems in our country essentially from its redistributive consequences... So the rate of price rise *per se* is not of much moment", Prabhat Patnaik, "Policy of 'Inflationary Contraction'", *Economic and Political Weekly*, March 20, 1982, p. 445.
- 6 Brahmananda feels that in any case the extent to which the IMF can influence domestic policy is limited. But to this end all he can cite is that there in an electoral process in this country, that we have five-year plans, etc. Such features are hardly likely to deter the Fund.
- 7 His discussion of 'supply-side economics' seems a little odd as virtually any supply bottleneck or disproportionality is offered as an instance of 'supply-side economics' at work. If, say, the identification of a food supply bottleneck is 'supply-side economics', then the notion is at least as old as the Soviet industrialisation debate of the 1920's—in fact even older. Similarly, the so-called Mahalanobis model is built after all around the recognition of a specific supply constraint. Secondly, there appears to be the suggestion that 'Keynesianism' has in some sense been the ruling orthodoxy in India. Actually, of course, the notion of a demand-constrained growth process in the post-Independence context is relatively new, making its first appearance so far as I know in A.K. Bagchi's contribution to E. A. G. Robinson and Michael Kidron (eds.), *Economic Development in South Asia*, 1970. (The somewhat earlier discussions of the 1967 recession by Khurro and others fall back essentially on supply disproportionalities).
- 8 The qualitative summary in Appendix 9 of single equation regression results (e.g. the regression of variations in the wholesale price index on variations in the M_1 or M_3 monetary aggregates) really contributes very little to our understanding of the causal links involved in the inflationary process in the economy, or of the distribution of the impact of a tight-money policy. Brahmananda obviously thinks otherwise. "Those who deny the primary and positive effect of the money supply variation on prices are barking up the wrong tree", and a reduction in the rate of growth of money supply becomes the beginning and end of anti-inflationary policy. As usual, moreover, while the costs of inflation or of import restrictions (as an alternative solution to the immediate balance of payments problem) are heavily underlined, there is no mention of the costs of 'pragmatic' policies.
- 9 Patnaik in *Facts and Issues*; and, with reference to the Budget, in the article cited in Note 5.
- 10 The projections in the IMF memorandum make this quite clear. The oil import bill is expected to fall by 11 per cent in 1981-82, and in the following two years also a sharp fall in the volume of oil imports is projected, although a growth of 14 per cent in the import bill because of a shift in the composition of oil imports is allowed for 1983-84. Non-oil imports meanwhile are expected to go up by 28 per cent, 25 per cent and 17 per cent in the

three years 1981-82, 1982-83 and 1983-84 — principally as a result of import liberalisation. That in terms of these projections the IMF loan is to a very real extent intended to cover larger *non-oil* imports appears to go unnoticed in the book, which in fact thinks of the balance of payments problem as simply one of the "oil-price-shock".

- 11 Brahmananda explicitly rejects some of the reasons for the balance of payments problem advanced in SEP and accepted by the IMF, viz., the worsening of the terms of trade generally (not only because of the rise in oil prices), and the effect of the international recession and protectionism on our exports (see p. 11 for example). In fact he adds rather mysteriously that "India is a net gainér from the world recession, not a loser". Such a view undercuts, of course, one of the reasons for expressing any pessimism with regard to export performance or scepticism with regard to the projections in the IMF memorandum.

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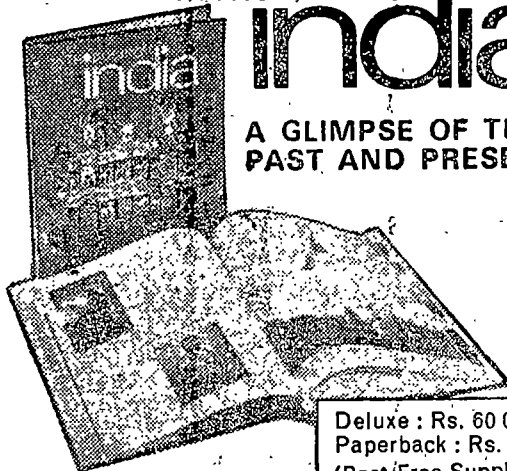
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Kondratieffs & Present World Economic
Juncture □ State Autonomy Movemnets □
TISCO Workers' Struggles in 1920's
□ Land Legislations in Karnataka

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Articles, note, review and communication express the views of the authors and not necessarily of the editors or of the Indian School of Social Sciences.

Editorial Note

THE existence of Long Waves or 40-50-year-long cycles in capitalist economies in addition to the usual 8-10-year-long business cycles was argued originally by the Russian econometrician, N. D. Kondratieff. It was seriously taken up and theorised about by Joseph Schumpeter and has always been in vogue in certain Leftist circles, from where it has been advanced recently as an explanation for the current world capitalist crisis. Some critics, on the other hand, have questioned the empirical evidence for the existence of Long Waves in history; others, while conceding that fluctuations of this duration might be statistically discernible, have objected to their being called regular cycles since they have been associated so strongly with conjunctural factors like the coming of the railways etc; still others have objected to this theory on methodological grounds as introducing an element of optimistic determinism for capitalism whenever it is besieged by a protracted crisis. Above all, in any case, no satisfactory theoretical explanation has been advanced as to why cycles of this particular duration should occur under capitalism.

So the "Kondratieffs" have caused much controversy. As the lead article of this issue we are happy to be able to publish a paper by Sukhamoy Chakravarty, the distinguished economist, that makes this controversy alive once again. The paper, which is on the current world capitalist crisis, surveys critically a number of theoretical explanations advanced for it, including the Long Wave theory. Of special interest here is Professor Chakravarty's discussion of the independent formulation of the Long Wave theory by Dutch Socialist theorists, notably van Gelderen. The sweep of his argument, including in particular his critical observation that Marxist economics has so far paid little attention to the rules that govern the growth of productive forces under monopoly capitalism, should stimulate discussion.

In the last issue we had published a theoretical article on Centre-State relations. We follow it up in this issue by a specific analysis of the movement for State autonomy in the Indian context by Javeed Alam. The movement, as he emphasises, is not a homogeneous one, but derives from divergent class roots. At a political level both centralisation as well as the response to it in terms of greater demand for autonomy have their origins, on the one hand, in the contradictions within the ruling classes and, on the other, in the

contradictions between the rulers and the people. As the deepening economic crisis accentuates both contradictions, it makes it increasingly possible for the Left forces to find a common meeting ground with bourgeois oppositional forces on the question of States' autonomy; it also makes it increasingly necessary since the movement for autonomy and the fight for preserving the democratic rights of the people, being eroded under the impact of the crisis, are intimately linked. Alam's canvas is wide; the analysis and the emphasis would inevitably raise a number of questions. For that very reason, the paper should arouse wide interest.

Vinay Bahl's study of the TISCO workers' struggle in the 1920's not only counters the view so assiduously nurtured by the Tatas' propaganda machinery about their being "benevolent employers", but also throws valuable light on the role of the nationalist leadership vis-a-vis the struggles of the working class. An analogous theme occupies Suneet Chopra in his review article on the recently published book *Subaltern Studies I*. Chopra raises certain basic questions relating to Indian historiography on which we invite further discussion in the pages of this journal.

One commonly comes across the view that land reform measures were not "successful" in India. Usually underlying this view is the belief that the land reform laws aimed at a radical redistribution of land, but that these laws were evaded, much like direct-tax laws, by the ingenious and unscrupulous rural rich. This belief betrays however a grossly erroneous understanding. The laws, such as they were, were no doubt evaded; but the laws themselves never intended to bring about any radical land redistribution. As Narendar Pani's detailed study for Karnataka exemplifies, land reform legislation under the Congress regime was motivated not by any considerations of egalitarianism, but by the desire to promote capitalist development in a situation of extreme land concentration. Pani's note should blow up a number of myths that have developed around our land reform legislations.

And finally we publish a report by Malini Bhattacharya on a seminar held last June at Kasauli on some of the current problems in Indian aesthetics. This was the second such seminar being held at Kasauli. The first seminar on "Marxism and Aesthetics", it may be recalled, was held there under the auspices of the Indian School of Social Sciences in the autumn of 1979; some of the papers of that seminar were published in a Special Number of *Social Scientist* (No. 89-90, December 1979-January 1980). Since then a group of artists and other intellectuals have taken the lead in planning a new journal, *Journal of Arts and Ideas*, whose first number is expected to come out in September this year. The June seminar at Kasauli was organised by the *Journal of Arts and Ideas* in collaboration with *Social Scientist*.

SUKHAMOY CHAKRAVARTY*

*Reflections on the Present World
Economic Conjuncture*

DID the engine of economic growth slow down during the 1970's? If so, what were the reasons? Are these reasons likely to apply to the 1980's? These are some of the questions which are being debated anxiously by ordinary people, professional economists and policy makers in the developed as well as the developing countries. In this paper, I propose to address myself to these questions with a view to indicating certain areas of enquiry which require more serious investigation.

On the first question, the authoritative judgement given in knowledgeable circles is that since 1973, the world economy is going through an extended period of slower growth. According to the *World Economic Survey* published by the United Nations in 1980, developed market economies which recorded an annual average growth of 5 per cent over the period 1962-1972, at 1977 prices, witnessed a modest growth rate of only 2.7 per cent in the years 1974-1979. The rate of growth of the last three years has not improved upon the record initiated in 1974. In its *World Economic Outlook, 1981*, the IMF has estimated a rate of 1.25 per cent for 1980, and 1.5 per cent for 1981 while it expected the rate to be no higher than 2 per cent in 1982.¹ What is even more disquieting from the point of view of social concern is that while the average rate of unemployment in seven industrial countries (Canada, the US, Japan, France, FRG, Italy and the UK) over the period 1963-1972 was as low as 3 per cent, the corresponding rate for 1981 was as high as 6.6 per cent, with rates exceeding 10 per cent for the UK and nearly 8 per cent for the US. Furthermore, the rate of inflation has also been very high judging by the record of what was achieved during the first two decades after the Second World War. Taking the GNP deflator as a measure of inflationary pressure, the average rate of change over 1962-1972 was 4 per cent while the rate of change since 1973 has invariably exceeded 7 per cent for the large industrial countries, with the rates lying in the

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neighbourhood of 10 per cent for most of the time. Among these countries, the UK has experienced the largest rate of increase while FRG has recorded the maximum amount of price stability.

Thus, there is little reason to doubt that the world economic scenario turned sharply adverse in the 1970's, at least as far as the developed market economies are concerned. According to the UN, however, the picture is not modified qualitatively when the entire world is taken into account although the numbers are somewhat different. Thus, the average rate of growth for the period 1961-1973 for the world as a whole was 5.4 per cent while the corresponding rate for 1974-1979 was 3.6 per cent, including the oil-exporting countries and centrally planned economies.

Some Explanatory Hypotheses

How do we explain this downturn of the 1970's? Initially, it was widely believed that the downturn was a product of the so-called 'oil shock'. There is little doubt that the several-fold increase in the price of oil did give a rude jolt to the economies of oil-importing countries. However, the extent of the loss in real income posed by the deterioration in the terms of trade for the industrial countries is given in Table I.

TABLE I
CHANGE FROM PRECEDING YEAR

	1973	1974	1975	1976	1977	1978	1979	1980	1981
Developed industrial countries	-1.5	-11.5	2	-1	-1	3	-3	-6.5	-0.5

SOURCE: IMF, *World Economic Outlook*, 1981, Appendix B, Table 7.

This shows that the extent of overall change brought about by the increase in energy prices has been nowhere near as high as developed countries sometimes try to make out. In contrast, for non-oil developing economies, the situation has been far more serious. For the 1960's, the deterioration in the terms of trade was slow but steady; for 1970's the rate of decline has been much more pronounced (Table II).

TABLE II
COMPOUND ANNUAL RATE OF CHANGE

	1962-72	1973	1974	1975	1976	1977	1978	1979	1980	1981
Non-oil developing countries	-0.5	6.5	-7	-9	2	6.5	-5.5	-0.5	-3	-3.5

SOURCE: IMF, *World Economic Outlook*, 1981, Appendix B, Table 7.

Furthermore, it is the developed countries which have earned service incomes such as banking charges as well as benefited from the recycling operations.

It is, therefore, difficult to make out the case that the 'oil shock' has served as the principal causal factor which changed the entire scenario, although in a certain long-run sense, it may have had a more serious impact, by pointing towards the need for conserving scarce non-renewable resources.

An influential group of economists has made the point that the real problem has arisen with the breakdown of the Bretton Woods system and its replacement by *ad hoc* floating arrangements. This argument may be more substantial than the one referred to earlier. However, it should be remembered that the decision to abandon the Bretton Woods system was undertaken by the most important market economy, i. e., the USA, because it felt that the system was constraining its domestic option in regard to growth with stability. Furthermore, France had never been happy about the US hegemony reflected in the Bretton Woods arrangement. Thus, it is not clear why the use of floating exchange rate system should, in itself, lead to a slowdown in the growth performance, especially for the developed countries with very well developed financial arrangements.

A third important reason that has been frequently cited is the slowdown in the rate of growth of real output per employed man-hour. Here the argument seems to be on a somewhat firmer ground. However, there are important problems that must be borne in mind. First, there have been significant differences between the experiences of different countries. Secondly, the shift to the 'service sector' which is said to be partially responsible for productivity slowdown reflects a number of very distinct developments. First, the so-called 'income elasticity' argument is in favour of services. A part of the shift may be attributed to the growth in real income per head experienced over the 1950's and 1960's. But this is not all that there is to the expansion of services. Some of the expansion may reflect the fact, especially in the US and the UK, that service sector expansion was a buffer, reflecting in itself the fact that manufacturing output growth was slowing down because of a serious demand problem.

This takes one to the next point, whether an increase in productivity growth would have provided an answer to the problem. If the economy were competitive in character in its essential functioning, then possibly downward pressure on prices exerted through cost reduction would have led to market widening and hence raised the rate of growth to some extent. However, in the absence of positive intervention by the State of a demand-stimulating nature, this need not be a correct inference for the economies of mature capitalist country.

This takes us to the additional explanation that the government

action has been impeded by the emergence of strong inflationary expectations. A great deal of importance is attached by the so-called 'monetarists' to this factor, whose strategy consists in breaking this expectation syndrome by pursuing a policy of serious cutback in public expenditure and other deflationary measures. Britain is at the moment engaged in such an experiment. Informed observers are of the opinion that while this policy may have somewhat moderated inflation, it has certainly exacerbated unemployment and led to loss of real output.² So far, there is little empirical basis for the monetarist prediction that if only sufficient time were allowed to pass, the unemployment level would come down to the so-called 'natural rate', whatever that expression may mean.

Quite apart from the question as to whether the monetarist policy prescription will prove an efficacious one for Britain or, say, the USA, the basic problem remains that the emergence of inflationary expectations cannot be regarded as an exogenous phenomenon. Instead, the increasing amount of inflation-proneness of the world economy, and more particularly that of developed countries, must be attributed to the combined functioning of several features which marked the so-called 'golden age' of the 1950's and the 1960's. To my mind, three important characteristics must be noted: (a) the growing hold of monopolies in the key sectors of any advanced industrial economy; (b) the drying up of the labour reserve as a result of the sustained expansion of the post-Second World War period which showed itself in the absorption of the unemployed, sustained transfer of labour force from agriculture and also changing participation ratios; (c) the permissive monetary-fiscal policy which was greatly helped by the US continuing to run a balance of payments deficit over many years.

Many who put their belief in the so-called 'neo-classical synthesis' based on the combined wisdom of Adam Smith and John Maynard Keynes came to the conclusion that the capitalist system could be rendered stable from cyclical disturbances and may be expected to grow steadily to a 'golden rule' configuration only if monetary-fiscal policies were appropriate.

They seemed to have convinced themselves against all historical evidence that full employment equilibrium could be rendered stable through enlightened economic policy. They differed from monetarists in disagreeing about the need for active fiscal and monetary intervention because they attached great stability to the econometrically estimated behaviour relationships from which policy multipliers could be suitably deduced.

Events of the 1970's would seem to suggest that they did not reckon with the fact that for an economy which is pervasively characterised by monopoly, effects of changes in economic policy instruments could not be deduced unambiguously because the underlying stability conditions had not been properly investigated, a point

that Hicks recognised quite early and then proceeded to ignore. The mainstream economics profession seems to have followed Hicks in this regard with the conspicuous exception of a few economists such as Joan Robinson and M Kalecki.

However, the difficulty with the most advanced formulation which was that of Kalecki consisted in the fact that while he recognised the existence of a 'political business cycle', an idea of considerable fecundity, he had hardly a theory of growth. As a matter of fact, as early as the mid-1930's, Frisch had shown that the dynamic system used by Kalecki could either generate a steady rate of growth or oscillation but not both.⁸ However, as one has only obtained historically situations of oscillating growth, the theory was basically incomplete. Steindl, who carried forward Kalecki's work, also did not succeed in integrating growth-promoting factors that tended to generate stagnationist tendencies.

Summing up, one may then conclude that if one were to take into account the structural vulnerability of capitalism to swings in activity, one should not be unduly surprised to find that prosperity gave rise to depression because, as Clement Juglar pointed out a long time ago, there is only one cause of depression, that is, prosperity.

One can, however, question the above conclusion by pointing out the unusually long span of prosperity and argue that this reflects an altogether changed set of structural features that still permit of control at fairly high levels of economic activity. To judge such an argument, it is necessary to discuss, although somewhat briefly, the theory of long waves in economic activity which analysts with exceedingly varied ideological and scientific backgrounds, such as Forrester, Mandel and Rostow,⁴ have sought to revive recently.

The Theory of Long Waves

The 'theory of long waves' in economic life or, better still, the hypothesis that capitalist economies display long cyclical upswings and downswings was highlighted a great deal by Schumpeter in his theory of capitalist economic evolution as put forward in his massive two-volume study, *Business Cycles*. Schumpeter made copious acknowledgement of the work done by the Russian economist, N D Kondratieff, in whose honour he christened the long waves as Kondratieff cycles.⁵

It, however, appears that the hypothesis was first put forward by a Dutch socialist J. van Gelderen who wrote, under the pen-name J Fedder, an extended article on the subject in the Dutch socialist magazine *De Nieuwe Tijd* as early as 1913.⁶ The article has not unfortunately been translated into English so far. However, a fairly extensive summary is given by Simon Kuznets in his book *Secular Movements in Production and Prices* from which it is possible to gain a reasonably clear idea of van Gelderen's argument. There is

little reason to question the fact that van Gelderen had hit on the idea in a fairly precise sense and the subsequent work by Kondratieff, which was apparently done quite independently based on a more extensive statistical analysis of the relevant data, did not constitute any conceptual break-through compared with van Gelderen's work.

Van Gelderen described the upswing of the 'long wave' as 'spring tide' ("Springvloed Beschouwingen") and argued that they came to an end because of two major reasons. These two reasons were summarised by Simon Kuznets as follows: "The end of the period comes because (1) the acceleration of production and trade cannot go beyond the point of saturation of markets to which the highly developed capitalistic countries export. And this movement is hastened by the industrialisation of the importing countries. (2) The production of raw materials, whether organic or inorganic, cannot keep pace with that of finished products. Summing up the theory in a nutshell, the major cycles form a periodic change in capitalistic development, a periodic change whose function is to bring about in the expansion of the capitalistic form of economic life a proper distribution of productive forces (labour and capital) over a greater number of countries than heretofore were outside of the closely bound national economies."⁷

We have quoted these lines from Kuznets not for reasons of historical curiosity but because they have a very contemporary ring, even more than Kondratieff's article which is generally the only one referred to in this context. Van Gelderen's countryman, another Dutch Marxist, S. de Wolff, drew a number of important social implications of the existence of 'long waves' in a very interesting essay which was written in honour of Karl Kautsky. These dealt with the differential policies pursued by labour unions in times of prosperity 'spring tide' and depression ('ebbtide').

In spite of the highly suggestive work done by van Gelderen, de Wolff and Kondratieff, and the strong endorsement given by Schumpeter, many economists, including Kuznets himself, have been reluctant to accept the hypothesis of 'long waves' because of the absence of a 'firm' theoretical foundation.⁸

However, in the context of the depressed conditions of the 1970's, fresh impetus has been given to seek theoretical and empirical bases for the hypothesis behind 'long waves'. Forrester, Mandel and Rostow have each come out with his own formulation, which cannot be altogether disregarded. In short, the hypothesis that 1974 marks a downturn of the Kondratieff cycle has more than superficial plausibility considering the fact that the two and a half decades following the Second World War display many of the features of 'spring tide' initially described by van Gelderen. Considering the fact that since 1973 recoveries have been very brief and the stagnationist trends persist with no clear end in sight, it is not altogether without any justification to assume that the world has entered the downgrade of a

Kondratieff cycle.¹⁰ The argument gains in strength if one takes into account the problems which have also beset the 'socialist economies', although there the impact is felt in terms of greatly reduced rates of growth rather than in terms of unemployment. Meanwhile, the social implications to which de Wolff had drawn attention are very much in evidence in the developed market economies.

However, it would be extremely simpleminded even if one accepted the hypothesis of 'long waves' for the sake of argument to expect that there will be an automatic recovery if only one were to wait long enough for the new innovations such as micro processors to find application over a sufficiently large scale. First of all, one should remember, as Schumpeter used to say, that every cycle is a historic individual. Different cycles are never the same in real time. Secondly, the existence of 'long cycles' does not preclude the possibility of long-term mutations taking place in the character of the economic system and there is plenty of evidence that the capitalist system has changed a great deal since the Great Depression of the 1930s.

In fact, Mandel's views, in contrast with Kondratieff, appear to be that the downswing was triggered off by a fall in the long-run rate of profit, which was partly due to the exhaustion of technological stimuli and in part due to the structural changes. For him the central dynamic is given by the Marxian theory of falling rate of profit based on the secular increase in the organic composition of capital, compensated to an insufficient extent by the rise in the rate of surplus value. However, as there is no clear evidence that the 'value' organic composition of capital has, in fact, risen during this period, Mandel produces no acceptable statistical analysis in favour of his hypothesis. In fact, a serious statistical attempt to substantiate this proposition was undertaken by EN Wolf who comes out with a negative finding.¹¹

While Mandel has used the Marxian two-department schema, Rostow has used the distinction between industry and raw materials producing sector as the relevant disaggregation for the 'long cycle'.

One cannot help feeling that both Mandel and Rostow, in very different ways, are trying to model 'long cycles' on the analogy of 'decennial cycles', an exercise which, to be convincing, must be dynamically specified on premises which are logically consistent and factually warranted.

In my opinion, by the *strict* criterion of what constitutes a cycle, there is no clearly discernible long cycle for many 'quantity series' as distinct from the series dealing with prices, interest rates, etc. This problem was recognised by Kondratieff himself although he did hope that more analysis and evidence will help to decide the issue. What the data unquestionably show are recurrent periods of prolonged depression and prosperity. They may result from a

combination of important structural changes superimposed on the underlying cyclical mechanisms which are generated by what Tinbergen called 'life cycles' and 'lag cycles'. But more importantly, our inability to date to say anything definitive on the problem of 'long waves' may arise from the fact that formal economic dynamics has so far failed to integrate the problem of the trend with that of the cycle. Forrester's simulation studies based on the combination of several sinusoidal motions may provide economists with material to ponder upon.

Lenin's Analysis

Does the present world economic situation bear out the analysis given in Lenin's work on "Imperialism"? I believe that, in some respects, it does. This refers to the law of uneven development of capitalism which tends to get accentuated in the context of monopoly capitalism.

Contemporary developments show that even when a particular country, namely, the USA, enjoyed hegemony, rules of the capitalist game permitted rival centres of economic power to emerge and a part of the explanation for the breakdown of the Bretton Woods monetary system reflects this fact.

Furthermore, Lenin's rejection of the idea that there could be 'planned capitalism' under the conditions of high degree of concentration and centralisation of capital also seems to gain in support from recent developments. This is in contrast with the 1950's and early 1960's, when economists, armed with econometric techniques and Keynesian theory, felt that the problem of stabilisation was necessarily soluble.

However, there are two fundamental respects where Lenin's theory would require very considerable revision. First, unlike Marx, he attached little or no importance to technical progress under capitalism. This is possibly because he felt that monopoly would necessarily be "moribund" or "parasitic". This proposition is neither theoretically nor empirically justified. Secondly, the growth of multinational corporations does replace very considerably the theory of 'finance capitalism' developed by Hilferding in his *Finance Capitalism* on the basis of a careful analysis of the 19th century German experience. The mode of functioning of multinationals is not in contradiction with the basic Marxian theory of Capital as a 'self-valorizing' process. But it has a different method of functioning based as it is on the reinvestment of internally generated surpluses.^{1 2}

This point is very important in relation to developing countries. It may be recalled that Lenin attached considerable importance to the 'export of capital' to developing areas as he expected the rate of profit to be higher in the low wage countries, endowed often with abundant raw materials. For him, it was the *essential* point behind

imperialism, a matter of structural necessity in the face of rising organic composition of capital.

It would appear that the developments in the post-World War II period have been considerably different. While only a few developing countries such as Brazil have received capital from abroad on a significant scale, if 'official loans' are excluded, the great bulk of direct foreign investment has been amongst the highly developed countries themselves. The so-called 'American challenge' was first felt acutely in Europe. That developed countries tend to trade mostly amongst themselves so far as manufactured products are concerned is an important fact requiring substantial revision of theories of international trade as well as Marxian analysis based on the pre-World War I data.

A partial explanation of the recent developments on the Marxist lines can be based on the growing militarisation of the world economy which created demand overspill from the leading capitalist country, the USA, into fast moving economies such as Japan and West Germany, which permitted the rate of profit to rule fairly high for the first two decades after the Second World War. But it would be factually wrong and theoretically misleading to see the entire explanation as lying within the framework of such a hypothesis. Military expenditure does help in resolving the problem of effective demand if it is financed through budget deficit, which can serve as an effective substitute for the 'external market', narrowly defined. This is a point which Kalecki recognised a long time ago. But it cannot by itself explain the very substantial productivity growth which has characterised the world economy at least for the first two and a half decades. For that to happen, long range investments which lead to product and process innovation in key areas will need to take place. It is possible to maintain that a part of this investment was induced by increased military expenditure, but it is not possible to deny that for a substantial period, the rules of the capitalist game allowed productivity to go up. This is where I believe the hypothesis of 'long waves' does contribute an additional dimension to our understanding of the current economic situation, even though there are as yet substantial difficulties in finding an appropriate theoretical foundation for them.

To sum up, Lenin was entirely right in rejecting the possibility of a peaceful ultra-imperialism. He was also partially right in asserting that redistributive policies *à la* Hobson were not consistent with the functioning logic of a mature capitalist economy. But he paid insufficient attention to the technological dynamism that monopoly capitalism could display even though he did not preclude the fact of growth under monopoly capitalism altogether. Schumpeter, who recognised this possibility abundantly, however, went to the opposite extreme of denying the existence of an effective demand problem

altogether, even though he emphasised the cyclical vulnerability of capitalism as a mode of economic production. His specific reading of 'imperialism' is, in my opinion, untenable which, however, need not occupy us here.

Concluding Observations

The present paper is much too brief in relation to the importance of the issues dealt with. Hence no summary is needed. But a few brief observations are in order.

First, mainstream economic theory is seriously deficient in not attaching sufficient importance to the fact of monopolistic/oligopolistic forms of market organisation. This is crucial to understanding the macro-economic functioning of the capitalist system, especially the phenomenon of the co-existence of inflation with unemployment and excess capacity.

Secondly, while Marxist theory contributes an important insight by emphasising the crucial role of 'capital' as a self-valorising process, it has so far paid little attention to the rules that govern the growth of productive forces under monopoly capitalism; nor has it developed any precise analysis of its laws of motion. Monopoly capitalism is not necessarily parasitic capitalism. It certainly produces a lot of waste, but rentiers do not necessarily have the upper hand.

Thirdly, major technological revolutions can take place under monopoly capitalism. But it needs the assistance of the State to do so. Close relationship between State power and corporate power is a particularly marked feature of monopoly capitalism, a point clearly recognised by Lenin.

Fourthly, the present economic conjuncture has a number of highly specific features. But it has also in common with earlier phases of sustained prosperities the fact that major technological innovations did play an important role, which involved 'new resources' such as uranium and its isotopes, changes in the labour process involving automatisisation, etc.

Fifthly, while the economic conjuncture may show an improvement for the better in the near future, it is likely to be short-lived, as forces which can lead to sustained growth on a long-term basis are not yet visible. This has serious implications for the developing countries which are interested in following outward-looking policies based on import liberalisation and subsequent expansion of exports.

Finally, economists must always allow the phenomenon of 'novelty', a factor emphasised by dialectical reasoning. No mechanical extrapolation of a cyclical or a linear sort is permissible. We are dealing with what is in many ways (historically) a unique conjuncture. This always leaves room for the 'unexpected'. It would be foolish to ignore it simply because we cannot theorise about it.

- 1 These rates have undergone a downward revision in more recent studies.
- 2 See C F Pratten, "Mrs. Thatcher's 'Economic Experiment'", *Lloyds Bank Review*, January 1982.
- 3 R Frisch and H Holme, "The Characteristic Solutions of a Mixed Difference and Differential Equation occurring in Economic Dynamics", *Econometrica*, Vol 3, 1935.
- 4 See E Mandel, *Der Spatkapitalismus*, Frankfurt am Main, Suhrkamp Verlag (English edition, London, NLB, 1976). See also W W Rostow, "A Simple Model of the Kondratieff Cycle", in *Why the Poor get Richer and the Rich Slow Down*, London, Macmillan, 1910, and J W Forrester, "Business Structure, Economic Cycles and National Policy", *Futures*, 1976, pp 195-214.
- 5 See J A Schumpeter, *Business Cycles*, New York, McGraw Hill, 2 volumes, 1939. Reference is to Kondratieff's work which was published in a German summary. See, "Die Langen Wellen der Konjunktur", *Archiv fur sozialwissenschaft und sozial politik*, vol. 56, 1926, pp 573-609. An abridged English translation by W T Sjolper was published in the *Review of Economics and Statistics*, vol. 17, 1935, pp 105-115.
- 6 "Spr inginvloed Beschouwingen over industrielle outwik keling en prijsbeweging", *De Nieuwe Tijd*, 1913, pp 253-273, 369-384, 445-464.
- 7 Simon S. Kuznets, *Secular Movements in Production and Prices*, Boston, Houghton Mifflin Co, the Riverside Press, 1930, p 261. See, for a recent review of van Gelderen's work, E Mandel, *Late Capitalism*, London. NLB, 1976. See also Jan Tinbergen, "Kondratiev Cycles and so-called Long Waves", *Futures*, August 1981, pp 258-263.
- 8 S de Wolff, "Prosperitats und Depression periode", pp 13-43, in *Der Lebendige Marxismus*, Festgabe: "Zum 70 Goburbtage von Karl Kautsky" (also quoted in Kuznets, *op cit*), See also reference to Wolff's book *Het Economisc Getij* in W C Mitchell, *The Business Cycle: Problem and its Setting*, New York, National Bureau of Economic Research, 1927.
- 9 S Kuznets, "Review of Schumpeter's 'Business Cycles' ", *American Economic Review*, vol 30, 1940, pp 250-271.
- 10 One of the most significant characteristics of the upgrade of Long Wave is that prosperities are long-lived and recessions are of short duration, whereas in the downswing, it is always the other way round. This characterisation fits the facts of the last two and a half decades very well.
- 11 E N Wolf, "The Rate of Surplus Value, the Organic Composition and the General Rate of Profit in the U S Economy", *American Economic Review*, vol 69, June 1979, pp 329-341.
- 12 This does not imply that multinational banking system has not been playing a major role in the world economy, especially after the 1973 oil crisis. Their profits are quite considerable and they do transfer funds from one financial centre to another, which causes instability. The point is that because of a variety of factors, of which taxation is only one, internally generated funds have played a very major role in financing long-term investment during the 1950's and 1960's.

JAVEED ALAM*

*Class, Political and National Dimensions of the
State Autonomy Movements in India*

THE debate about the nature of the Indian Federation as laid down in the Constitution has gone on for about three decades now. The general trend of opinion has been to treat it as a federal constitution but with a very strong unitary bias. Its working during the last three decades, however, has been pronouncedly on unitary lines along with a steady encroachment on the powers of the States, which means that the Constitution provides mechanisms to the Centre to encroach upon and curtail the rights and powers of the constituent States. Moreover, provisions that make the Centre all-powerful as against the States also tend to strengthen the executive as against the legislature.¹

This trend towards centralisation endangers civil liberties of the people, as was clearly shown during the Emergency. The issue of State autonomy therefore is clearly tied to the question of democratic rights and civil liberties of the common people.

Increasing centralisation of power culminating in the Emergency cannot be treated just as a constitutional aberration.² The inability and hesitations of the Janata government to dismantle all the Emergency provisions and to overhaul the Constitution on democratic lines, testify to the limitations of the ruling classes in India in protecting the democratic rights of the people. And after the 1980 parliamentary elections, the threat of authoritarianism of course has reappeared in a pronounced form. The contention of this paper is that the process of centralisation, as well as the authoritarian danger that accompanies it, has its roots in the very path of development pursued by the ruling classes in India.

The Indian ruling classes, within which the bourgeoisie is the leading element, have all along sought to develop India along capitalist lines. The specific features of this path of development are the main determinants of development and consolidation of classes as well as the internal differentiations and conflicts that arise among the

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ruling classes. One way, or rather the more useful way, of understanding both the process of centralisation of political power and the manifestation of the counter-tendency in the shape of the demands for 'State autonomy' is to look at it, at one level, through this consolidation and differentiation of ruling classes and how they seek to manage it and, at another level, to relate it to the growing democratic aspirations and concrete struggles of the common people, the working class and the peasantry. Most of the demands for State autonomy can, in fact, be traced back to *either* the contradictions among the ruling classes *or* the efforts of the working class and the peasantry to fight for and realise a democratic economy and a democratic polity. To come to a precise understanding of these demands for State autonomy it is essential to grasp the underlying forces that provide the push towards the centralisation of political power.

Centralisation Inherent in Capitalist Development

The development of capitalism necessitates, as one of its conditions, the formation of larger markets for commodity production. This necessity plus the requirements of big capital demand growing centralisation. The centralisation of state power is in part a reflection of this law of centralisation inherent in the capitalist development. The consequent erosion of the rights of the States or denial of autonomy to them is not simply a matter of will of this or that leader or this or that party in a pure subjective sense, although, as will be shown later, such factors do play a role in a given objective configuration of political power. Hence the issue of State autonomy and State rights is more than a question of simple choice between federal and unitary preferences on a mere constitutional level. The issue is closely bound to the sphere of operation of the law of centralisation inherent in the capitalist path of development.

It may not be out of place here, even if by way of digression, to note that such a tendency towards centralisation and concentration of political power has been universal in the constitutional evolution of all 'liberal democracies'. It has been clearly discernible even in the advanced capitalist states of West Europe and North America. What has come to be described by political analysts as the growth in the powers of the federal government in the USA and other federations and also its concentration with the executive—President or Prime Minister and Cabinet — is in actual fact the working out of the tendency inherent in the operations of big capital noted above. Any empirical-temporal analysis of the centralisation of political power or major shifts in the constitutional functioning in favour of federal governments in advanced capitalist states would show that such a development has generally followed the rise of big capital or monopolies as the dominant element in the economies of these societies.

There is however a specifically political aspect of the problem which is no less significant. It is, in fact, crucial in the materialisation of tendencies. It works to impede or facilitate and to give a specific shape to the working out of inherent tendencies. In concrete terms, in most of the advanced capitalist states where democracies have survived without interruption, the time lag between economic centralisation and the centralisation of political power has been considerable as well as varying between different societies. The consensus among economists is to trace the development of monopolies to the end of last century and the beginning of this, whereas constitutional analysts would trace concomitant developments in polity to around the 1930's. The time lag as well as the particular ways in which this happened has been due to the political conditions — the nature of division among the ruling class parties, the extent and depth of challenge to the ruling classes by the revolutionary forces, the strength of conventions and traditions, institutional impediments, etc. The way the process works out in different societies is complex and needs empirical determination and therefore cannot be gone into here, although I intend to delineate some of its concrete aspects in the case of India.

All that needs to be noted here is that the centralisation of capital is not the same as the centralisation of state power. These two aspects may interlock or diverge. As a general observation, one can say that in the 'democracies' of the underdeveloped world, unlike the advanced capitalist states, the tendency is for the political aspect to proceed far ahead as is evidenced by the latter-day developments in, apart from India, Ceylon, Malaysia, the Philippines and Mexico. It seems to be the case that in the crisis-ridden capitalist economies of the Third World, containment of popular democratic urges and repression of mass movements compel a much greater degree of centralisation of state power than necessitated by the laws of motion of capital in themselves. It is here in the specificities of the crisis of underdeveloped economies and their political consequences for the ruling classes that the roots of the authoritarian and dictatorial response of the centralised state power lie. This is also what gives a dangerous dimension to the moves toward centralisation and puts the struggle against such moves in the forefront of the democratic struggle.

Nature of Political Centralisation

In India in particular, the process of political centralisation was facilitated by the more or less uninterrupted rule of the Congress party for the first 30 years both at the Centre and in most of the States and was necessitated by the challenges to the hegemony of the Congress rule. Behind the Congress manoeuvres were the desperate moves of an insecure bourgeoisie in the face of the mounting crisis of

the capitalist path of development. In fact, due to the failures of the economy to even mitigate the hardships of the people, solving the basic problems apart, the Indian political system has been in a state of semi-permanent crisis. The political dominance of the Congress and its hegemony over state power not only helped it to contain by repression or manipulations the recurrent political crises but also aggravated, by the very logic of the situation, the tendency towards the centralisation and concentration of political power. Given the nature of divisions among the ruling class parties in India, the Congress had no difficulty in converting this centralised power into authoritarian rule in the shape of the Emergency. The consequence, as we have all experienced in a gruesome form, was not just the erosion of federal principles and the negation of State rights and powers but also a complete negation of the democratic rights and civil liberties of the people, including sections of the ruling classes. It is in the context of these developments of the recent past and the pronounced threat of their recurrence in the immediate future that the struggle around the demand for State autonomy assumes central importance and its integral link with the struggle for democratic rights of the people is clearly revealed:

Within the perspective given above, I will look at the interconnections between the class and political dimensions in the working out of the process of centralisation of state power. I will also go into the class roots and class needs of different State autonomy movements in India. Given the divergent class bases of different movements, eg. the Akalis or different parties representing the Dravidian movement or Jammu and Kashmir or West Bengal etc., it is also necessary to see if any objective complementarities exist between these movements. Finally, in a multinational state like ours, the problem is also closely bound up with questions of political unity and therefore is also an aspect of the national question. Before taking up each of these, a few brief remarks about some of the state institutions used by the ruling classes are in order.

The constitutions in class divided societies, like those of India, reflect the class relations of those societies, and the shifting emphasis in the working out of political correlations as well as the underlying class conflicts. Given the existence of the elements of different modes of production in India, there is a corresponding multiplicity of ruling classes. In such a situation, the ruling classes have of necessity to function as an alliance even if the interests of the different ruling classes do not coincide at specific points of time, as indeed happens in practice when the type of growth and the economic policies necessary for capitalist development are not the ones most suitable for the growth or maintenance of landlordism. But the imperatives of preserving state power force the ruling classes into a compromise and hence into an alliance. Historically an alliance of the ruling classes can

function effectively only under the leadership of a certain class. In India, the general consensus among the Marxist scholars and activists has been to assign to the bourgeoisie such a leading role although serious disagreements persist concerning the nature of the Indian bourgeoisie.⁸

The leading class in an alliance maintains its leadership by guaranteeing the general interests of the alliance partners and by seeing to it that its own interests are guaranteed by the state. In the ruling class alliance when monopolist forces are in ascendancy, moves resulting in the centralisation of power at the Centre become necessary because from there the leading element—the big bourgeoisie—in the alliance attempts to protect its own specific interests. It also happens that within the state institutions there is a move towards the concentration of power in the executive. It is possible to see here that centralisation at the Centre and concentration of power in the executive where parties function as the visible instrumentalities, provide a cloak for the bourgeoisie to exercise its leadership within the institutional networks of power as well as to meet more effectively the growing challenge of the working classes and peasantry.

In the process of governance when internal conflicts or contradictions emerge or sharpen between the different sections of a class or between different ruling classes within the alliance they are sought to be managed through bargaining, conflicts and compromises. The contradictions among the ruling classes, their internal management and the perception and assessment of these by the political leadership of the ruling classes are critical in understanding the growth, consolidation and decline of the ruling class parties.

These can help to explain, in spite of important discontinuities, the great similarities between the periods 1967-1969 and 1977-1979 with respect to the fortunes of the political parties as well as to the heightened articulation of the demand for State autonomy. Both these periods witnessed the decline of the Congress party and the emergence of the regional political parties and formations to political prominence. In both the situations, apart from one or two States, the regional or regionally-based parties that gained at the cost of the Congress party were the ruling class regional parties. Similarly, the parties which formed governments in different States on both these occasions, were providing opposition to the Congress party both at the Centre and in the States within a framework of unified-all-India-class-preferences, e.g., Akalis in Punjab, the Bharatiya Kranti Dal in Uttar Pradesh, the Dravida Munnetra Kazhagam in Tamil Nadu, etc. It is possible to argue here that the growth and consolidation of the regional ruling class parties have been generally conditioned by the interests of the locally placed ruling class groups like the landlords and kulaks in Punjab, Haryana, western U. P., etc. or the non-big bourgeoisie in Tamil Nadu. It seems to me plausible to argue that

differentiation in landed interests between different States is due to differential distribution of investments and concessions by the Centre on top of the historically inherited consequences of land tenures, land development and productivity of land, crop specialisation, etc. In situations of economic crisis the inability of the state to dole out concessions to the dominant landed interests uniformly all over leads to discrimination and consequent dissatisfaction. This is likely to lead to conflicts of interest within the same ruling class across the regions. Likewise, though in a different way, the non-big bourgeoisie may be objectively hampered by the operation of the market laws which favour big bourgeoisie and thus impede the growth of locally placed non-big bourgeois groups. Such a condition, along with crystallised feelings of linguistic-cultural oppression, seems to provide the material basis for non-big bourgeoisie in certain clearly demarcated regions with a distinct population composition like Tamil Nadu to strike an alliance with the landlords there in a potent regional formation — the Dravidian movement. Under circumstances like these, the locally placed ruling class groups seek greater power for themselves through the regional parties in power or opposition so that these can be used to further their own interest when their interests are perceived as not being best served by the all-India ruling class parties. Under circumstances like these, the popular discontent due to the deepening of economic crisis is availed of by these ruling class groups to build up oppositional politics within a unified all-India class framework. *Such a configuration provides one objective ground on which regional movements thrive and seek greater autonomy for the States.*

As a consequence of the above, during 1967-1969, with the decline of the Congress party as the political monolith and the coming to prominence of regional political parties and formations, the question of Centre-State relations was posed with a new sharpness. The 1977-1979 period also witnessed the recurrence of the same phenomenon. But there is a distinct difference between 1967-1969 and 1977-1979 although the similarities are significant. The 1967 defeat of the Congress was only partial and did not threaten the Congress rule at the Centre. Unlike 1977 when the rout was total, the 1967 elections left open the possibility of tactical manoeuvres by the Congress to contain the political crisis which seemed then to have overtaken it for good. The Congress defeat of 1967 led to "toppling operations" with the use of Congress power at the Centre along with a tactical shift to the left with recourse to radical slogans and rhetoric in a much more pronounced manner than ever before. The success of these moves depended, among others, on the power at the Centre which facilitated supportive State actions in favour of the political faction under Indira Gandhi. The split of 1969 was the beginning of a new phase the culmination of which was the authoritarian rule of

Indira Gandhi and the proclamation of internal emergency. It was during these years that the pace of centralisation and concentration of state power was at its fastest. On the other hand, the nature of the Janata rule later, as distinguished from the Congress party, posed the question whether a conglomeration of erstwhile parties with separate party programmes and social constituencies to cater for could have transformed itself into a monolithic party as the Congress has been during the last decade and more. Such a monolithic party is a necessary condition for crisis management through centralisation and authoritarian methods. The conglomerate nature of the Janata party made it difficult for it to unify effectively the different sections of the ruling classes under its leadership. This precluded the possibility of an authoritarian rule in spite of the inherent tendency of the ruling classes in a crisis-ridden economy to meet the growing mass movements through authoritarian solutions.

What Happened under the Janata Rule

The nature of the Janata rule and the party situation prevailing then provide us with a useful basis for examining in concrete detail the interplay between the power of the ruling classes and the organised political forces in the actual working out of the specific forms of class rule. Let us therefore examine the party situation prevailing then a bit more closely. The post-Emergency party situation can be summarised as follows :

Two main national-level parties, the Congress and the Janata, represented the interests of the entire ruling classes. Three regional parties represented the interests of the locally based ruling classes but they also operated within certain historically demarcated nationality regions—AIADMK (All India Anna DMK)/DMK in Tamil Nadu, Akali Dal in Punjab and the National Conference in Jammu and Kashmir. The left-democratic forces were crystallised in the two communist parties or movements, the CPI (M) and the CPI, with the CPI adopting collaborationist positions from time to time. There were, as now, countless factions of CPI (ML) at loggerheads with each other but all of them adopting adventurist postures.

In addition, there were a number of regionally based smaller parties, both left and right, like the Peasants and Workers Party, the Muslim League, the different Jharkhand Morchas, the Forward Bloc, the Revolutionary Socialist Party, the Socialist Unity Centre, the Kerala Congresses, the Majlis-e-Ittehad-ul-Muslameen, etc. It was not possible at any point of time to say anything very definite about the anti-Indira Congress faction, given its predilection for vacillation.

The nature of the Janata party in power at the Centre was unlike any other party. It was not only a conglomerate of erstwhile parties with different programmes as noted earlier, but was also an outcome of a rapid coming together of disparate opposition groups

of the ruling classes. One need not go into the extraordinary situation that brought them together. Suffice it to point out here that most of them had earlier represented, as they continued to do after they fell out, sections of the ruling classes, viz., Jana Sangh of the commercial petty-bourgeoisie or feudal landlords in certain regions, the BLD/BKD/Lok Dal of landlords and kulaks in three or four States of northern India, Swatantra of the bourgeoisie and erstwhile feudal lords; the Congress (O) was the only party that represented, like the Indira Congress, the interests of the entire ruling class, and it was the socialist parties only which never represented any close identity with any class except to present a vague combination of petty-bourgeois radicalism and peasant populism. The spectrum of interests represented and viewpoints presented made it no different from the Congress in terms of the class interests.⁴ Moreover, because of the fact of being pushed together all of a sudden, it could not work out a viable compromise formula which could provide a basis for intra-party conflict management. Consequently, differences between factions always assumed the shape of bickerings and personality clashes.

Such a conglomeration ruled at the Centre but its different constituents were in dominance in different States in uneasy alliance with other constituents. In the absence of a viable compromise formula, their different social bases and mass support forced them to horse-trade within the Janata to so tilt the policies that their mass supports could be sustained. It also happened that the Janata party was much more dependent for its rule on the various regional parties than was the Congress except for a brief while during 1969-1971. The absence of internal cohesion as well as intra-party consensus on vital issues or on modalities of handling 'crisis' situations made it difficult for it to impose its will or to effectively protect or guide the ruling classes. All this made the federal process in Indian politics much more fluid and open to bargaining as it also facilitated the assertion of people's power in both organised and unorganised ways. Such a situation did not lead to any alteration in the rights of States in a constitutional-legal sense but gave a considerable margin politically to States under different political persuasions, like West Bengal, to strike an independent path without the fear of being toppled or excessively harassed. Likewise, the toiling people could also, in spite of bullets as usual, bargain better via-a-vis the ruling class power. I will come back to this point later again.

The party situation as summarised above did not fundamentally alter the division of masses on ideological grounds. Ideologically the main division of masses which represented the salient political cleavage was between people who supported the two main ruling class parties and those who supported the various regionally based ruling class parties like the Akalis, AIADMK/DMK, National Conference, etc. As against this there was and has been a growing number of

people who supported the parties which provided the left-democratic alternative to the bourgeois politics.

This division was not, from an ideological point of view, fundamentally different from what existed earlier. But there was a very significant fact: the support for the ruling class parties became, and was becoming, more and more atomised and relatively evenly spread whereas earlier it was concentrated around one ruling class party, the Congress party. Moreover, the left forces, especially the CPI(M), became relatively much more powerful than ever before without, however, having become decisive in the all-India context. The implications for the political process of this development—the conglomerate nature of the Janata party; the atomisation of other ruling class parties and the growth of left forces—were of far-reaching importance. Such a situation provided a conducive atmosphere for the assertion of people's power—mass movements, working class struggles, peasant agitations, etc. —as well as for the struggle for and the consolidation of the rights and autonomy of various constituent States; the notable example of this was the comparative ease with which the Left Front-led government of West Bengal could push through with radical reforms. What needs to be noted here is the conglomerate nature of the Janata party and its inability to unify the ruling classes under its leadership; in other words, what became decisive was the absence of a monolith like the Congress party. As mentioned earlier, in a crisis ridden situation the multiplicity of ruling classes calls for a political monolith as one of the conditions for the effective enforcement of their writ.

Therefore while the conglomerate nature of the Janata party and the fact of atomisation of ruling class parties did not change the class character of the Indian state, it made the handling of internal contradictions among the ruling classes more difficult and complex. The fact that the constituent groups within the Janata party were not wholly unidirectional in terms of their relative class preferences between one group or faction of ruling class or another led to a tussle between factions representing the interests of different classes. To consolidate their political hold some factions, especially the BLD/Lok Dal, sought to strengthen its class interests even if it was at the cost of other sections of the ruling classes. This unseemly tussle which was simplistically referred to as personality conflicts pure and simple by a number of political commentators was fully reflected in the economic policy of the Janata party. It was always a result of heightened contrary pulls or pressure and therefore, from time to time, it showed the relative ascendance or descendance of the interests of different ruling class groups. This however did not lead to any change in the essence of state power; in the end it always got worked out as an uneasy compromise balancing the preferences of big bourgeoisie, foreign monopoly capital and landlords of all hues.

What made the big bourgeoisie more insecure was that in a situation where mass discontent was having increasing resort to mass action, the state's ability to reconcile the interests and preferences of all groups within the ruling classes was getting further reduced. So, as it always happens in crisis-ridden situations, when the state attempted to pass on the burdens to the people—by exacting higher surplus from the working class and the peasantry—the resistance of the people in general and especially of those in States under different political dispensation could be much more effective. One can therefore assert without fear of contradiction that even though the class character of the state power remained the same yet the relative shifts in its internal balance gave rise to a kind of politics that was more conducive for certain kinds of movements—both mass and regional. This was of profound significance.

Implications for Class Struggle

In the context of such an understanding of shifting configurations of ruling class power, the tendency of both types of ruling class parties—the national as well as regional—to seek mutual compromises on issues concerning the vital interest of the ruling classes, however intense the prior bargaining, becomes of primary importance. The entire tendency of the various regional ruling class parties as reflected in their various tactics can be categorised as, for want of a better term, 'oppositional' within the framework of unified-all-India-class-preferences. In this sense, the internal contradictions of the ruling classes and the consequent conflicts and strains among the ruling class parties become *secondary* to their acceptance, mostly tacit, of the all-India-unified-class-preferences. It therefore happens that the *principal* contradiction is always between the ruling classes and the people; that is, in the dialectics of conflicts and compromises within the ruling classes, conflict is always secondary, or, in other words, it is always a prelude to compromise. It is so also because whenever a contradiction sharpens within the ruling classes it is sought to be handled by both types of parties through anti-people measures. This being so, the division or the political cleavage represented by the left-democratic forces becomes, therefore, the primary or fundamental contradiction in the political process. In different terms, the party polarisation between left forces and ruling class parties is the actualisation in politics of the fundamental social contradiction between classes owning the means of production and the toiling people. The left-democratic forces offer policies that are alternatives to the path of development pursued so far. The opposition of left-democratic parties can therefore be categorised as 'alternative' and not merely 'oppositional' as is the case with the ruling class parties.

In certain situations, the deepening economic crisis and the mounting mass discontent may so strengthen the left opposition

parties that they are in a position to give an electoral rebuff to the manipulations of the ruling classes. When such parties come to power or can bid for power in certain States then the necessity of fighting for the demand of State autonomy arises because their efforts to seek democratic solutions to the people's problems are obstructed by a centralised state. For the class preferences of the working class and the peasantry to meet with even partial success, effective autonomy is a minimum necessary condition.⁵ *This is the other objective ground on which the movements for State autonomy have grown.* Needless to add, the class roots and the class needs of the State autonomy movements in these two different cases—those led by the non-big bourgeoisie or landlords on the one hand and the ones led by the left-democratic forces on the other—are entirely different. But from this to infer that in the politics of the struggle for State autonomy there is no meeting ground between the two is to commit a serious error. Without underestimating the chauvinistic dangers of such movements led by the ruling classes, there are reasons to believe that common ground exists between the two, as I will soon argue.

Classes, State Autonomy and Democratic Rights

It follows from the discussion of the dynamics of class rule that the big bourgeoisie, being the leading partner in the class alliance that rules India and exercising its control and operating through the Centre and its decision-making organ—the Cabinet—will be extremely reluctant to concede greater powers to the States in any meaningful way. The centralised state remains a prime necessity for its unhindered growth. It is interesting to note here that the leading members of the Indian bourgeoisie organised in FICCI (Federation of Indian Chambers of Commerce and Industry) have always felt alarmed with whatever they thought would strengthen the regional or State forces. Their opposition in the 1950's to the formation of linguistic States is well-known and needs no elaboration. But what is revealing is the attitude of the big bourgeoisie to the linguistic States even more than a decade after their consolidation. In 1969, the president of FICCI, moving the "Resolution on National Integration and the Business Community", remarked that the two most serious constitutional and administrative blunders committed by the Indian state were: (1) the adoption of a federal constitution and on top of that, (2) the reorganisation of the federating units into linguistic States.⁶ In India, according to him, the linguistic States have been the cause of emergence of provincialism in its most ugly form.⁷ Moreover, they found the democratic verdicts of 1967-1969, especially the second victory of CPI(M) in the 1969 mid-term poll, as an alarming trend representing a dangerous turn toward regionalism.⁸ To come back to the main point, given its reluctance to concede anything concerning the State rights as democratic, the big bourgeoisie may be better able to

partially meet the demands for State autonomy emanating from regionally based ruling class parties by granting greater concessions like more funds, budgetary allocations under plan heads, etc. This may be possible as the regionally based ruling class parties are not necessarily looking for greater powers for States or worried by curbs on State powers. To the extent that parties like AIADMK or Akali Dal represent specific interests of the ruling classes within their States, these parties are likely to seek greater power for themselves in the interests of locally placed ruling class groups, at a time when their interests are not being best served by the centralised state. But these parties are not in need of real autonomy for States. It is therefore possible to argue that a mere redistribution of political and economic decision-making powers and functions from time to time may be enough to suit their return-maximising pursuits.

The left-democratic parties, on the other hand, need real State autonomy in the interest of democratic economy and democratic polity. Their search for greater powers for the States can be fulfilled only when the class preferences of the working class and the peasantry can be materialised. The very logic of this involves the use of State autonomy for undermining the material bases of ruling class power. The left-democratic concept of State autonomy therefore poses a challenge to the structure of state power itself where the division of power between the Centre and the States is directly linked to questions of class domination. What complicates the matter is the consolidation of the hold of CPI(M) over West Bengal and indications of the growing strength of the left-democratic forces in some other States and parts of the country and in various spheres of social activity. Here lies the greatest danger to the hegemony of the ruling class and therefore one expects them to resist the demands for State autonomy.

But this entire argument which writes off the autonomy movements of regional ruling class groups on the grounds that these can be easily placated does not reckon with the fact of the economic crisis. In a crisis-ridden situation monopoly capital may not be in a position to even meet the limited demands of the regionally placed ruling class groups. Within the recognised constraints of the economy as it stands today, particularly the restricted home market, the class constraints on resource mobilisation and the limits of export-led growth, the compromise formula itself may come under increasing strains, sharpening the contradictions within the ruling class alliance; the recent peasant upsurge in which the first initiatives were taken by the upper stratum of rural society, both landlords and rich peasants, is an important bit of evidence of such a possibility. Moreover, in a situation of stagnation when all sections of capital cannot grow or expand with equal ease, the non-monopoly capital comes under increasing attacks from the monopoly capital. The dilution of the provisions of the

MRTP (Monopoly and Restrictive Trade Practices) Act or FERA (Foreign Exchange Regulation Act) and policy changes being undertaken by the Government of India to fulfil the conditionalities of the IMF loan will, in fact, hasten this process.⁹

In such situations the politically organised pressure for more state protection and privileges for non-monopoly capital or different landed interests may come from parties or formations that are 'oppositional' but function generally within unified-all-India-class-preferences. Under circumstances like these demands for greater concessions to locally placed interests may grow much stronger. Such demands and the tensions generated by such shifts in the relationship between the Central Government and the autonomy movements represented by regional parties or formations like Akali Dal or AIADMK or National Conference *can form a complementary objective condition for the left-democratic parties in power or opposition.*¹⁰ Furthermore, such conditions that facilitate both independent and joint mass movements put a brake on the inherent tendency of a crisis-ridden bourgeois-landlord state to pass on more and more burdens to the people and can therefore be looked at as temporary safeguards against efforts of the state power to seek authoritarian solutions.

The ability to unify different sections of the ruling classes across the regions under a single political command and along with this to carry mass support seems to me to be of prime importance in the materialisation of the tendency towards centralisation. Its opposite works as a brake on the fructification of the tendency. This is clearly revealed in the politics during the rule of the Janata conglomerate as contrasted with that of the Congress monolith both before 1977 and after 1980, although the period after 1980 is also marked by the complete disintegration of the Congress party's organisation and growing factionalism of a new type under petty-tyrants out to enrich themselves.

The forces that facilitate political centralisation and concentration are also the forces that make authoritarianism possible. But it is necessary to make a distinction between authoritarian tendencies—inherent in all crisis-ridden, stagnant capitalist systems and especially so in the Third World countries—and authoritarianism as a crystallised form of political rule requiring certain political factors as pre-conditions. Therefore the assertion, made right in the beginning, that the issue of State autonomy is integrally tied up with the questions of democratic rights and civil liberties of the common people becomes tenable. Hence the ideological necessity of treating the struggle for State autonomy as part of the larger issue of political democracy. If this assertion has any validity then it also brings out the utterly simplistic nature of all such analyses that treat, without discrimination, all regionally based movements of people as "fissiparous" or "threats to national unity" or "anti-national". It

is absurd to treat with the same stick the efforts of Jammu and Kashmir to preserve its autonomy or those of West Bengal to gain a measure of autonomy and the divisive and chauvinistic 'sons-of-the-soil' movement virulently going on in Assam or the continuing menace of Shiv Sena in Maharashtra, etc.

In the background of this analysis, when one looks at the prospects of the State autonomy movement one cannot be confident about the possibility of any radical redefinition of the rights of the States on democratic lines. The big bourgeoisie being the leading force behind state power and the crisis of the system becoming more and more acute day by day, the subjective predilections of the big bourgeoisie would be to further erode the State rights so as to use the centralised state to meet the challenge of mounting discontent. But this in no way implies that one needs to court passivity. The situation of deepening economic crisis throws up unforeseen possibilities for forces representing the people to avail of, as is evident in the situation now. The foregoing analysis also leads to the inescapable conclusion that the fight for democracy in India also involves a relentless struggle against the big bourgeoisie and its allies and that the concrete situation is pregnant with possibilities.

Autonomy and the National Question

To complete the discussion, it is necessary to briefly investigate the inter-relations between the State autonomy movement and the national question or the problem of political unity in the multinational context of India. Why are the regionally based movements of people referred to by many as fissiparous or divisive sub-nationalisms? And, do the movements for State autonomy belong to the pedigree of 'sub' or any other type of 'nationalism'? Let us very briefly examine here this dimension of the problem.

The genesis of nationalism in western Europe, schematically for the sake of brevity, was the indigenous growth of capitalism in unilingual, culturally homogeneous and historically demarcated regions where the emergent bourgeoisie took hold of such communities for the creation of a unified home market for the circulation of commodities. The consequent consolidation led to the typical nation-state of our times. The market, or the need for it, was the determining factor and the language community in a demarcated region became a means of consolidation. In the central European and some east European states, due to the same forces but by a different process of fission and separation from larger empires, amalgamation of people and their crystallisation under sovereign states took place. In both cases the phenomenon of a single nation-nationality bounded by a state boundary did emerge. In Tsarist Russia national movements of people remained subsumed under a multinational revolutionary movement and its success ensured a different basis and ground for the

growth of political unity. In multinational countries like India, the development of capitalism under colonial patronage led to the creation of a unified multinational market and a pan-India bourgeoisie with inter-regional mobility within the confines of the colonial state. This being so and coupled with the fact of the absence of oppressor-oppressed nationality relationships, the numerous 'middle class'—leading spokesmen of the emerging national consciousness—that emerged also developed strong all-India identifications. Therefore the anti-colonial movement for independence in India was a supra-nationality nationalism and the various national movements of the people belonging to different national groups remained subsumed under it, notwithstanding the demand for and the creation of Pakistan. So the Indian state that came into being with independence is a multinational sovereign state. What is referred to as Indian nationalism is a supra-nationality phenomenon representing the multinational Indian state and is made up of different national streams that constitute our multinationality. Movements among people constituting these different national streams, present for long in varying forms and stages of development, came to the forefront after independence. The main form these assumed was to demand States for each of these national streams within the Indian Union; the national movements of the different people of India attained their identification with the creation and consolidation of the linguistic States in India between 1953 and 1970's. The protracted and, at times, bloody nature of this process is an important indicator of its relationship with the bourgeois-landlord class combine that rules India and also points to the distinctive features of the phase now under way.

The phase that began with the creation and consolidation of the States within the Indian Union comprising the different linguistic-cultural zones of India and is still under way is marked by the aspirations and efforts of the people within these States to achieve material well being and cultural advancement. In a way, it is the struggle to overcome the impediments to the unification of these nationality groups or the different national streams on modern, secular lines. The process, in its essence, is one of the struggles for an all-round democratic advance. In this phase, as earlier, the big bourgeoisie, as the leading ruling class group, is neither objectively capable of nor subjectively willing to accomplish what the bourgeois-democratic revolution requires for its completion. Hence its consistent opposition to and fallacious categorisation of all such forces and movements struggling for State rights as "provincialism in its most ugly form". Let us take this aspect to round off the discussion.

The aspirations and struggles of the different national groups to achieve all-round development and to be equal with one another are thwarted by the hold of big bourgeoisie and its allies over state power in India. Its attitude, ranging from one of consistent

hostility to the linguistic reorganisation of States at that time to uneasy tolerance and suspicion of the legitimate aspirations of different national streams now, bear testimony to the weaknesses of the leading ruling class group in India. Even as democratic a demand as the linguistic State had to be wrested from the state power after protracted and bloody struggles in spite of the Congress commitment to it since as early as 1920's. Its weaknesses and the consequent fear of the democratic aspirations of different national groups seem to be a function chiefly of certain features of capitalism in India. The capitalist growth in India both before and after independence has been characterised by a self-perpetuating unevenness, both region-wise and community-wise. This unevenness often coincides with regions that represent the different national streams that constitute India. Within these regions themselves uneven development manifests sharply in relation to communities or groups like Scheduled Castes, Scheduled Tribes and certain religious minorities; sometimes when such distinct groups like tribes inhabit contiguous districts it complicates the problem further. Moreover, capitalism in India has been marked by its historical incapacity to destroy feudalism in agriculture and establish its overall sway over society. The pervasiveness of bourgeois revolution as in the phase of growing capitalism in Western Europe is thus lost and therefore the Indian bourgeoisie is no longer capable of establishing new social unity on modern, secular grounds. Such a capitalism as it feels compelled to compromise and collaborate with imperialism due to its infirmities is also forced to compromise with and accommodate the remnants of feudalism for its political survival. In such a situation the bourgeois (liberal) ideology in general and the bourgeois nationalist ideology in particular is historically a played out force incapable of establishing national unity on its own terms. It falls back upon the pre-capitalist classes like landlords and uses the pre-modern obscurantist ideologies and institutions to prop itself up politically. This more than anything else explains the prevalence and virulence of caste-based movements, communalism, and other narrow divisive agitations.

The bourgeoisie while it vocally condemns these movements, surreptitiously uses them also to divide the unity of the people within different national groups to weaken them and push them towards exclusiveness and chauvinism. Given its incapacity to fight and overcome regional unevenness, it looks at the democratic struggles of such groups for equality and the movements for State autonomy as a struggle waged against its political domination. To disrupt such movements it willingly or unwillingly converts its structural infirmities and economic weaknesses to political advantage by using the hold of landlords and pre-capitalist ideologies and pre-modern outlook of masses to encourage, whip up and make use of narrow, sectarian movements. It does not care so long as its political leadership can aggregate the leading elements of the warring groups in society. It is

therefore not an uncommon feature to find the leaders of caste and communal strifes on both sides of the social divide united under the umbrella of the same ruling class parties. A retarded and crisis-ridden capitalism is always politically a divisive force, especially so in a multi-national and socially diverse context, and for such a capitalism the instinct for political survival always takes precedence over national unity and people's welfare. Therefore, from whichever way one looks at the problem, the struggle for State autonomy, for the democratic reorganisation of our federal polity and for the lasting national unity based on the equality and voluntary union of Indian people belonging to the various national streams, is integrally tied up with a consistent and relentless struggle against the dominance of big bourgeoisie and its allies.

- 1 Consider, for example, the provisions relating to the Concurrent List, the system of Centrally appointed Governors and their power to dismiss elected democratic governments or to manipulate majorities, the power of the Central Government to issue directives to the State governments, and the right to issue ordinances and then get them stamped by Parliament and, over and above everything else, to declare emergency and abrogate the basic freedoms of citizens.
- 2 This is clearly revealed in the growth and multiplication of para-military forces like the Central Reserve Police (CRP), Border Security Force (BSF), Central Industrial Security Force (CSIF), etc. along with the developments leading to an overweening executive out to repress the democratic movements of the people with the help of these para-military forces even when certain State governments may not be so disposed. One should not forget the examples of the central executive arbitrarily deciding to dismiss duly elected governments in the States as early as in 1952-53 (PEPSU) or the use of Governors to prevent the formation of certain ministries like in Madras or Travancore-Cochin, again in 1952. Subsequently the behaviour of the Centre in this respect has been too blatant to need mention, especially in Kerala in 1957 or with United Front governments in 1967-1969 etc.
- 3 A very useful theoretical summing up, and still very relevant, is contained in Ajoy Ghosh, "The Indian Bourgeoisie", in Ajoy Ghosh, *Articles & Speeches*, Moscow, 1962, pp 57-75. The best source to look at the differences among the communist parties concerning the Indian bourgeoisie is their party programmes. See CPI (M) *Programme* (adopted at Seventh Congress at Calcutta, 1964), *Amendments* (Ninth Congress at Madurai, 1972) and *Statement of Policy*, Calcutta, 1971; CPI, *The Programme of CPI* (Seventh Congress, Bombay, 1964), New Delhi, 1965; CPI (M.L.) programme first published in *Liberation*, IV, 4, April-June 1971, adopted at their first party congress, 1970.
- 4 See, Georges Kristoffel Lieten, "Janata as a Continuity of the System", *Social Scientist*, Vol 9, No 5/6, December 1980-January 1981, p 14-35, for a very useful and detailed analysis.
- 5 At this point it is necessary to make the distinction clear between the notion of State autonomy and "decentralisation" which became a talking point during the rule of the Janata party. It seems to me that the notion of State autonomy refers to the constitutional rights that guarantee the political integrity and financial viability of the constituent States within a federation and the State autonomy movements represent attempts, on the one hand, to protect the already limited State rights from further encroachments from

the Centre and, on the other, to extend through struggle the limited nature of these rights to whatever extent possible. As against this, 'decentralisation', as has been used, refers to a process that flows from within the State to districts and downwards. It, therefore, follows that the programme or slogan of decentralisation as being given now, will not serve the purpose of the democratic movements to protect the rights of the States as the decentralised constituent States may remain as vulnerable as ever to the whims and arbitrary actions of the Centre and the executive power there.

- 6 Federation of Indian Chambers of Commerce and Industry, Proceeding of the 42nd Annual Session (March 15-17, 1969, New Delhi): see Kirloskar's speech moving the "Resolution on National Integration and the Business Community", p 47. I am indebted to my colleague Senjib Mukherjee for giving me these references.
- 7 *Ibid*, p 48.
- 8 *Ibid*, G. M. Modi's presidential speech, p 2.
- 9 See the West Bengal Government's white paper on IMF loan, 1981. For the consequences of the IMF conditionalities on different sections of the ruling class, see especially the contributions of Prabhat Patnaik and Asim Dasgupta contained in that.
- 10 The position of K.R. Bombwall ("The Akali Demand for State Autonomy: Nature, Rationale and Motivations", *Political Science Review*, Jaipur, XX, 2, April-June 1981, pp 151-162) that it is difficult to have a "transregional united front" on this issue due to the variety of sources and motivations of the movements is difficult to sustain. See also K.R. Bombwall (ed.), *National Power and State Autonomy*, New Delhi, 1977.

TISCO Workers' Struggles: 1920-1928

SEVENTY-FIVE years ago, a major event took place at Sakchi in Bihar. In recent newspaper advertisements the event has been described in the following words: "It was the culmination of a dream. And in its way an expression of the nationalist spirit. It was India's first steel mill built with Swadeshi money as Jamshedji Tata had wanted it to be. A chimney came up; a township started to grow. And men came from the cities, the towns, the villages—the first of the Tata steel was born at Jamshedpur. By the endeavour of a fraternity of people aspiring, struggling and achieving;..."¹

Seventy-five years call for a celebration but at the same time 75 years are not sufficient to wash away the picture of what really happened in the history of the men and women in that jungle-bound place called Sakchi. The above mentioned advertisement carries the Tata claim that labour welfare was "one of the first cares of the TISCO employer and anticipating every need of the Tata steel man the Company introduced the 8 hour day (1912), Free medical aid (1915), leave with pay (1920) Worker's Provident Fund (1920), Accident Compensation (1920)." Contrary to this claim the workers of TISCO had to fight for almost each concession at different times and had to struggle their way towards bare survival. Their recruitment and the working conditions were akin to conditions under slavery and they were not then part of the "fraternity of people".

Since 1920 a number of strikes took place in TISCO to get an eight-hour working day, better wages and better medical facilities etc. The strikes were organised without any centralised leadership and were practically complete despite the extremely heterogeneous character of the working force which comprised different castes, religions and regional and linguistic groups. In dealing with the strike the 'swadeshi' management took full recourse to the repressive machinery of the colonial state.

The recruitment policy of the Tata Iron and Steel Company (TISCO) was guided by one major requirement of running a huge industry, namely, prevention of large strikes. Jamshedji Tata, the

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founder of TISCO, as early as in 1888, wanted to draw workers for the textile mills at Nagpur and other places from many regions. Speaking of the workers of the textile mills of the Bombay Presidency he stated: "They pretty freely know when to strike and when to demand higher wages. And as they grow in strength and in the perception of their rights it is not unlikely they may prove as much a source of trouble and anxiety as the operatives in Lancashire and elsewhere. ... Fortunately, we think, mill owners can provide against both if they bestir betimes and take all precautionary measures. Dear labour from the Konkan and elsewhere may be partially obviated by importing the cheap labour of tracts where it is well known there are large masses of the unemployed. ... A judicious admixture of Bombay men with men from U.P. would have a most wholesome effect. Just as in native ragiments they have found it advantageous to have assorted men of different races, so mill owners will find it to their great advantage in having an admixture, in a certain proportion, of operatives from Konkan and Gujarat on the one hand and Oudh and North Western Provinces on the other. ... As practically the field of the unemployed in the last named provinces is unlimited, there can be no apprehension regarding the future of labour here even if a large majority of the men of the Presidency strike work or demand more than reasonable or fair wages."²

Jamshedji's policy was clearly reflected in the territorial distribution of the 30,000 workers of TISCO. A survey among more than 600 families in 1938 showed the all-India character of the labour supply (Table I). Skilled workers were drawn from places as far as Bombay and

TABLE I
TERRITORIAL DISTRIBUTION OF WORKING FAMILIES OF JAMSHEDPUR (1938)

<i>Region</i>	<i>Percentage</i>
Bihar	27.94
Bengal	11.14
CP & Berar	17.42
Madras	8.00
Orissa	11.45
Punjab	5.33
United Provinces	11.61
Others	8.28

SOURCE: *Bihar Labour Enquiry Committee Report* (BLECR), 1941, Vol. II, p 3.

Surat, and after the eruption of strikes in the 1920's the employers started engaging more and more Pathans. "By 1928 the Pathan population has appreciably increased due to the preference shown by employers to recruit this class of labour in times of labour troubles, as being the least likely to be interfered with by the striking workers".³ The

distribution of skilled and unskilled workers in terms of caste shows an interesting picture. The census of Bihar and Orissa in 1921 indicates that 34 per cent of the skilled workers were Muslims, 18 per cent Rajputs, 16 per cent Brahmins, 13 per cent Kayasthas, 6 per cent Kamars, 6 per cent Sikhs. On the other hand, 38 per cent of the unskilled workers were tribals, 26 per cent Telis from Chota Nagpur, 13 per cent Muslims, 6 per cent Tantis from U.P. and Bihar.⁴

The Background to the Strikes

The territorial, religious, linguistic and kinship differences among the labour force can be considered as hampering the social unification of workers into one class, and even of disorienting the trade union movement. However, a number of objective factors bring the workers together. The labour force at Jamshedpur was turning into a permanent labour force, devoid of links with agriculture. According to a survey conducted in 1938, only 3 per cent of all the workers who visited their home village did so for participating in cultivation; the rest, who visited their homes once in one to four years, did so predominantly for social reasons. Twenty-five per cent had cut off all links with their place of birth.⁵

The large-scale nature of the steel works led to the collection of a huge work force in one place. TISCO was initially designed for producing 120,000 tons of pig iron every year. The idea of extending TISCO works was mooted in 1916. The total amount of steel supplied by TISCO during the First World War came to 290,000 tons per year. The management saw the immense possibility of expanding steel production, which came to be called the 'Greater Extension'. With the extension, which was completed in 1924, TISCO was modernised and the number of mills increased from six to 12.

— This new extension called for a greater number of skilled workers apart from unskilled ones. Their number increased from 11,715 in 1917-18 to 30,135 in 1923-24. After 1925 the ratio of unskilled to skilled workers altered and by 1932-33 daily employment had dropped to 18,113.⁶ Thus, between 1924 and 1933 more than 8000 workers were dismissed, despite the impact of the 'greater extension' on different plants. Except for some mills which underwent intensified expansion in the new scheme, most of the 12 mills clearly showed a decrease in the number of workers. The modernisation led to more capital-intensive techniques and a corresponding intensification of the division of labour. The latter only meant that a more important role was played by the skilled workers and the axe in terms of a fall in the number of workers fell largely on the unskilled labourers.

Another important impact of modernisation was on the female labour force. In 1921, TISCO employed 7000 women for stoking up the coal for boilers, for clearing away the coke from the ovens, for carrying pig iron, and for other unskilled lowly paid jobs. Before

1921 there was even a night shift of women but afterwards the employment of women started decreasing rapidly from 4,949 women workers in 1923 to 1,933 in 1928.⁷

The increased output per person by modernisation and rationalisation led to discontent among the workers but this was not the only reason. The very nature of the work in a steel industry, being more irksome and full of hazards, required compensation in the form of better facilities and wages. This, however, was not granted by the management. The TISCO workers reacted to their pitiable conditions and fought inside and outside the factory, for better wages and working conditions. In order to understand their struggles we must look briefly into the recruiting methods and service conditions, wage structure and prices of essential commodities.

Whereas the selection of skilled labourers required the approval of the General Manager, unskilled workers were as a rule recruited on a temporary basis by the *mistries* or foremen. These labour lords, in the process, exacted large sums as employment bribe. Unskilled men and women usually borrowed the money from one of the 40 odd Kabuli 'loan sharks' at an interest rate of 300 per cent per annum.⁸ The employment bribe went hand in hand with the system of advances paid to contract labour by labour contractors in Singhbhum, Sambalpur and Mayurbhanj, as well as in the tribal dominated neighbouring villages. The *thekedars*, particularly in time of floods and drought, went in search of labour and enticed the pauperised rural folk with a one-way ticket to Jamshedpur.⁹

The remuneration and working conditions were horrifying. Jamshedpur had, in respect of wages, the distinction of showing the highest wage differentials in the country and possibly in the whole world. The lowest paid workers were the boy and female coolies who, on an average, received nine rupees per month. The average monthly pay of the European employees was as high as Rs. 650. The General Manager, who upto 1937 was an American, was paid Rs. 7500 per month. The wage differential between him and the lowest paid worker was 1 to 850. Most categories of workers received less than Rs. 20, although the TISCO management conceded that a wage less than Rs. 20 a month could not be regarded as a living wage. The wages hardly increased between 1920 and 1928. In the same period the cost of living had almost doubled. As a matter of fact the maximum basic wage of male coolies, which stood at Rs. 15 per month in 1911, thereafter dropped in real terms to Rs. 14, at which level it remained stationary till 1938.¹⁰

Annual increments and bonus were not given to the Indian workers since, in the view of the management, it would not benefit the company. The 500 English workers, however, received various extra payments for, as Padshaw, the TISCO Agent, wrote to the TISCO General Manager, that "the conditions of work of the imported

workmen and the local workers being necessarily different, the conditions of remuneration have to be different also".¹¹ Even in the highly mechanised departments Indian workers, apart from being paid a salary which was two-thirds less than that of European workers of the same status, were kept on a temporary basis.

Permanence as well as increase in pay of the unskilled workers were solely determined by the discretionary power of the foremen which offered plenty of room for corruption. Weekly workers drawing less than Rs. 20, i.e., practically all the workers, could be dismissed without prior notice. Refusal to do the normal practice of compulsory overtime, also led to summary dismissal as well as to beatings by European supervisors. Injuries incurred from beatings represented only a fraction of the injuries. The number of accidents went up gradually from 600 in 1923 to 1700 in 1926. The increase, according to the General Manager, was "due to our higher rate of production and this increased efficiency appears to have been reached in the most hazardous departments."¹²

Working and living conditions were abysmal with the absence of education, sanitation, water supply and housing for the workers. However, particular mention should be made of the fact that the whole town belonged to the company which had enormous influence on the law and order situation. TISCO represented a state within a state in the sense that it was virtually looking after the administration of Jamshedpur. TISCO being the landlord its officers got a free hand in forcibly throwing out workers from their quarters and slums for minor reasons. TISCO controlled all public services, and in alliance with the representative of the central government, the Deputy Superintendent, exerted all its power to coerce the workers into submission.

This role of the company's management represents a peculiar expression of the convergence of interests of native capital and the requirements of the colonial state. The latter, unwilling to risk investment in basic industry, was, because of the pressure of war needs, amenable to allowing a free hand to native capital in specific areas but within its overall political control.

The strikes which took place during the 1920's were directed against these unbearable working and living conditions. The earliest strike threats (e.g. in 1918) at TISCO were given not by Indian but by European and American employees in order to assert their superiority over their native equals. It is interesting to note that the management in 1918 reacted like an employer (treating the Englishmen as the working class) in dealing with the strike threat. British troops were alerted by the Commissioner of Chota-Nagpur, who clarified that the 30 white workers would be easily dealt with. "If they strike they should be dismissed and not given a passport so that they will be forced to return to TISCO."¹³ The General

Manager of TISCO explained that the British colonial interest in the imperialist war was of supreme importance. "The Works must be kept running as both Mesopotamia and Palestine advances depend on these works."¹⁴

The First Strike and its Aftermath

The first Indian strike occurred in February 1920. The aftermath of the First World War had considerably increased the cost of living. About 30,000 workers went on strike. Their demands included higher wages, regular increments, housing, leave with pay and compensation for the family of the worker who dies while at work. The TISCO management tried to check the strike by using coercive techniques such as cutting the water supply and withholding the sale of rice and wheat. A Congressman from Calcutta, S.N. Haldar, was approached by the workers to lead their strike.¹⁵ He formed the Jamshedpur Labour Association (JLA). TISCO was prepared to recognise JLA on the condition that it collaborated with the management.

The leadership of the strike was of a dual nature. The workers themselves downed tools and threw up their own spokesmen and organisers. For legal advice and for negotiations with the management however they approached outsiders. Some of the outsiders who were approached did not lift a finger. Teja Singh, a leader thrown up from the ranks of the workers, claimed publicly that he met Gandhi in connection with the TISCO strike but Gandhi advised the workers to "suffer in silence for Indian industry."¹⁶

Others who came over to Jamshedpur negotiated with the management and, apart from scaling down the demands of the workers, agreed to the resumption of work before signing any agreement. Whereas the Congress leaders from Calcutta were prepared to compromise on any verbal assurance, the strikers were adamant not to join till a definite concession was given. The conviction and the determination of the workers could not be broken by the appeals for compromise made at mammoth rallies of workers. The workers listened with rapt attention to their own leaders like Teja Singh, a graduate, but shouted back at the General Manager and the Congress leaders who made empty offers at their meetings. The Deputy Commissioner remarked: "The men listen to them as long as they promise them what they want and would throw them out tomorrow if they give them advice they did not like."¹⁷

The working class in Jamshedpur was becoming aware of its power as a class. In spite of wage, caste, religious and regional differences they could unite against the capitalist as their experiences provided a rudimentary class consciousness. They thus achieved a spontaneous class unity. TISCO management also realised that the struggle could be broken only through repression. A military force of

over a thousand troops was brought into the plant area. The company started preventing the coolies from bringing in firewood and fuel from the jungle. Water and coal supply was stopped, as was the sale of subsidised rice and grain. Steps were taken to close the *bazar*.¹⁸ Meetings were no longer allowed to be held on the company's property (i. e. the whole town), and to provoke the workers into violence, the Gurkha force stationed within the factory threw brickbats at workers returning from strike meetings, particularly at the gates and near the railway track. The D. C. 's reports show however that the strikers behaved in a peaceful manner and no case of violence was registered.¹⁹

The strike however took a violent turn when TISCO management, with the help of the local army and police, tried to induct black-legs into the plant. In the firing that followed, five labourers were killed and 10 others seriously injured.²⁰ This incident occurred three weeks after the commencement of the strike and led to panic and confusion among the workers. The confusion was augmented by the arrival of four Directors of TISCO from Bombay (Dorabji Tata, David Sassoon, Lallubhai Samaldas and Billimoria) with the message that they would stay for two days and would announce a number of concessions if a sufficient number of workers joined duty on March 20. Dorabji, with the help of Haldar, addressed 10,000 workers and asked them to have confidence in him. The workers called off the strike, but, as it turned out, became increasingly dissatisfied with the inadequate concessions. Neither bonus nor strike-pay was granted and in the following months strike leaders were discharged. The increases in salary were nominal. At any rate they were nowhere near the 50 per cent rise demanded and did not even make up for the increased prices of food grains in the market controlled by TISCO. It is noteworthy that during the strike Marwaris gave Rs. 1200 for the strike fund and shopkeepers allowed the strikers to take grain on loan.

The management was successful in dictating terms to the workers. The success was to a large extent due to the all-out support extended to the management by the colonial state apparatus. The Directors of the company, at the termination of the strike, passed a resolution expressing "their deep sense of appreciation and gratitude to the government of Bihar and Orissa for the special interest shown and to their officers of police (and) military for the active co-operation with the management at Jamshedpur in preserving peace and order during the strike and wholeheartedly co-operating with the management in brining about its termination".²¹

In May 1920, the atmosphere in TISCO was again charged and workers compelled the recently formed JLA to start negotiations on unsettled issues with the management. It was ironical that within two months the character of the JLA changed completely. Its leaders went over to the position that workers should save TISCO from destruction as it was an Indian industry, owned by an Indian entrepreneur.

Teja Singh's militancy of the strike days cooled down. He told a JLA meeting that the rules of the Association were being revised by the Congress leaders in Calcutta on the basis of co-operation with the management and increase in output as well as on the basis of the defence of the interests of the employees. Not surprisingly, the Deputy Commissioner thought these were very sound principles: "The first principle was due to the discovery that the Company was Indian financed by Indian capital and that it was therefore incumbent on the workers as Indians to see to the interests of the Company. The second seems to be based on the fact that a hungry man cannot do a full day's work and therefore the Association should see (to it) that he is well fed, and so assist the Company in turning out more work."²²

Union voices in favour of the management were trying to convince the workers how their wages and cost of living should be secondary to the higher aim of increased production of TISCO. The management nevertheless took steps to divide the workers by initiating the Tata Workers Welfare Union. Recognition to the JLA was not granted, promises made at the end of the February 1920 strike, such as strike-pay and production bonus, were not fulfilled and workers started pressing for strike action against the wishes of the Union leaders who were more and more veering towards moderate pro-management attitudes. While the activists at the lower levels were preparing for the strike the JLA leaders were getting substantial increases in their pay.²³ This created dissensions amongst the workers but could not divert them from the path of direct action. The directors, while arranging for more troops to be kept available, attempted to pre-empt the strike by constituting a committee consisting of equal numbers of representatives of the management and the JLA. An albeit shaky compromise seemed to have been reached when Ratan Tata, during his visit to the company in June 1920, announced some concessions amounting to 10 to 20 per cent wage increases. However workers earning less than Rs. 15 a month (the coolies) were given only 7 per cent increase, that too on condition they worked for four weeks at a stretch.²⁴

It became difficult to appease the workers particularly after the European high salaried staff were granted a 20 per cent increase in September 1920. This annoyed the Indian workers who during their own strike were told that TISCO had no funds to distribute. A number of industrial actions, including walk-outs and physical confrontation with European supervisors, were a recurrent feature during the rest of 1920 and 1921. It appears that the JLA executive, guided by Congress leaders in Calcutta, was more interested in getting recognition from the management and to this end obstructed or side-tracked industrial actions. However, the TISCO workers, who were being taught by their day-to-day experiences inside the factory, with its undercurrent of racial tension, could not be restrained for long.

The workers' meetings, which were usually thickly attended, in the summer of 1921, prevailed upon the union leadership to present a charter of demands to the management. Subsequently, a watered-down charter was submitted to Ratan Tata who replied that there was "no money" and "no profit". The workers felt cheated since the profit in 1921-22 amounted to Rs.88 lakhs, or around Rs.350 per worker. The JLA leadership surrendered its claim stating that "when a person like R.D. Tata says 'no money' and 'no profit' it must be true".²⁵

When JLA felt that it was losing control over the TISCO workers and the workers were veering towards another strike action, a number of mass meetings were held from the middle of 1922 onwards. The government reports reveal that a large number of workers were attending these meetings though "all of them were not its members and had no faith in it (JLA)".²⁶ A mass meeting of workers on September 10, 1922, decided to go on a wild-cat strike after the acting general manager had declined to consider any of the demands put forward (redressal of victimisation, recognition of the Union, an eight-hours working day, scrapping of compulsory overtime, payment for the victims of accidents, etc.). All employees, including the predominantly Bengalee clerical staff, came out. The uncompromising stand of the management and the half-hearted attitude of the union leaders, however, soon broke the confidence of the workers. By the middle of October three-fourths of the workers had returned to work.

The Entry of Nationalist Leaders

At this stage, a number of leading national politicians entered the scene, Chaman Lal, the then president of the All India Trade Union Congress, met the General Manager and, on the basis of verbal assurance, told the workers to return to work in exchange for the constitution of a committee of 20 with a parity of members representing the employers and the employees and for the active involvement of AITUC in getting the union recognised. The strike thereupon collapsed. Still the union was not recognised, none of the demands were met and approximately 1,000 workers, including some of the radical leaders, lost their jobs.²⁷

This time JLA leaders tried to get recognition for the union through the good offices of Motilal Nehru. Soon an opportunity came when the Tariff Bill for the protection of the steel industry was to be put up in the Assembly. JLA met Motilal and also issued an appeal to the public and Legislative Assembly members to pressurise the Tatas to recognise the union and to consider the other demands of the workers, as the company would get tariff protection at the expense of the tax payers. Ratan Tata immediately met Motilal Nehru and assured him that he would look into the workers' problems if the Swarajists allowed the Bill to be passed. Accordingly the Swarajists absented themselves from the Assembly when the Tariff Bill was put up.

The recognition issue was discussed at a meeting of a conciliatory committee consisting of C R Das, Chaman Lal, N M Joshi, C F Andrews, Motilal Nehru and others, as well as the representatives of the management. The issue, however, was not settled, in view of the fact that Ratan Tata insisted on excluding all outsiders, even victimised workers, from the Executive. The workers were unwilling to agree to this condition. As a matter of fact, they openly expressed their impatience with the intervention of the nationalist leaders, C. R. Das and Motilal Nahru, who advised them "to do every thing very carefully and mutually in co-operation with the Company (as) it is an Indian Industry" and promised that "everything would be settled when the question of Swaraj was settled".²⁸ Motilal left the mass meeting of the workers in disgust after Abdul Ghani, one of the worker leaders, was enthusiastically applauded for his attack on Motilal's position. The soft attitude of Motilal Nehru towards the management was seen by the workers as being a result of Rs. 4 lakhs which Tatas had allegedly paid to the Swarajist party in exchange for the party's support in the Legislative Assembly at New Delhi.²⁹ The Deputy Commissioner of Singhbhum reported that the visit of Das, Nehru and others "definitely marks an epoch in the history of labour in Jamshedpur and that the labour leaders will now realise that Swarajist leaders were in no way interested in workers' grievances".³⁰

Finally, Andrews contacted Gandhi in 1925. At the latter's request Ratan Tata, who gave a red carpet welcome to Gandhi when he visited Jamshedpur, agreed to give recognition to JLA. But even the membership of JLA was not very large as the majority of workers had no confidence in it and they openly expressed their hatred for the "Company ka Dalal."³¹ Workers of TISCO were completely disillusioned with the nationalist leaders and JLA.

In 1928 they tried to organise a strike without the help of the official leaders and went to a non-political but ambitious person Manick Homi, who had personal grudges against TISCO. The skilled Sikh labour and unskilled workers organised under Homi's leadership, rejected openly the JLA leadership which advocated a non-strike approach. The Bengalee clerical staff and workers were the main supporters of JLA. JLA attempted to regain its leadership by negotiating on their own for a bonus. This was rejected by militant workers who demanded a linking of wages to increases in the cost of living. Large-scale retrenchment of workers in the course of implementing the reorganisation scheme, coupled with the long-standing grievances of workers, resulted in sporadic departmental strikes under Homi's leadership. With the JLA remaining neutral, the strike spread in May 1928, leading to the declaration of a lock-out by the management. Till August 1928 the workers held out peacefully despite the management's tactics and the fact that JLA, which controlled union finances, remained ineffective. During this period of four months workers

sustained themselves by doing odd jobs like carpentry, rope making, selling rice collected from other villages, etc.³²

As the management refused to negotiate with the workers' leader Homi, and JLA was ineffective, Homi appealed to Subhash Bose to intervene and bring the Bengalee workers into the struggle. With Bose's intervention however, Homi lost the leadership of the struggle to the nationalist leader. TISCO agreed to negotiate now that Bose was in the leadership. Nor was their confidence misplaced as the latter was influenced by Motilal Nehru to come to an early settlement.³³

The workers realised their mistake when the settlement was made. It gave them neither lock-out wages nor an increase in wages. The reason for the strike, i. e., reduction in the work force resulting from the reorganisation scheme, remained intact with minor adjustments. The gains offered by the settlement were insignificant and appeared even more so when the workers could not even get the right to choose their own leaders (in this case Homi) for negotiations. TISCO once again successfully dictated its own terms without recognising the rights of the workers.

After the 1928 strike the TISCO workers were to be divided, for the first time, into two unions, the JLA and JLF (Jamshedpur Labour Federation) under Homi, who carried with him 75 per cent of the workers. Bose remained unsuccessful in drawing this mass of workers under his leadership.

The early history of TISCO workers' struggles reveals the process through which the formation of a working class proceeded in a major Indian-owned industry under colonial rule. More significantly it reveals the process by which the nationalist leadership, although increasingly becoming aware of the need to confront British imperialism, failed to provide meaningful leadership to the working class struggles because of its professed claim of representing the interests of both industrialists and workers. We find that their failure to appreciate the extent of dovetailing of interests of the Indian-owned TISCO and the British colonial state, created the conditions in which they could not unite the working class of this region in the course of struggle for their legitimate demands, and thus carry them as a conscious force in the anti-imperialist struggle.³⁴ Rather, the dualism evident in their hesitant, pro-management postures, made the nationalist leaders suspect in the eyes of the militant workers. Thus the result of the intervention of the nationalist leaders was to create divisions in the ranks of TISCO workers.

The article is based on the author's unpublished thesis, "Labour in TISCO—1920-28". The author is grateful to Kristoffel Lieten for valuable suggestions.

1 *The Times of India*, May 17, 1982.

2 D. E. Wacha, *Life and Life Work of J. N. Tata*, p 83-84.

- 3 *The Royal Commission on Labour in India* (hereafter *RCLI*) 1931, Vol IV, part 1, p 106.
- 4 *Census of Bihar and Orissa*, 1921.
- 5 *Bihar Labour Enquiry Committee Report (BLECR)*, 1941, Vol II.
- 6 *Indian Tariff Board Report on Steel Industry*, 1933, Vol I, p 76.
- 7 *RCLI*, p 61.
- 8 Proceedings of the Department of Labour and Industry, July 1921, National Archives of India. Also *RCLI* p 106.
- 9 S. K. Sen, *The House of Tata—Capital and Labour Problem: Marxist Miscellany*, 1974.
- 10 A D Singh (ed), *Man, Management in Tata Steel*, TISCO, 1974, p 112; See also Raghuraj Singh, *Movements of Industrial Wages in India*, 1955, p 247.
- 11 Proceedings, Department of Industry and Labour, February 1921 (hereafter I-L).
- 12 Proceedings of the Department of Revenue (Industry), January 1929, Bihar State Archives.
- 13 Proceedings of the Department of Political (Special), F No. 141/1916, BSA.
- 14 *Ibid.*
- 15 Political (Special) 176/1920 (I).
- 16 *Ibid.*
- 17 Political (Special) 176/1920 (II).
- 18 *Amrit Bazar Patrika*, March 6, 1920. Also see *BLECR*, p 123.
- 19 Proceedings, Political (Special) F. No. 176/1920 Part II, BSA.
- 20 F No. 176/1920 (II).
- 21 F No. 176/1920 (II).
- 22 F No. 176/1920 (II).
- 23 F No. 176/1920 (II).
- 24 *Ibid.*
- 25 Proceedings, Department of Revenue (Industries), January 1925, BSA.
- 26 See *RCLI*.
- 27 Moni Ghosh, *Our Struggle*, Calcutta, 1973, p 8. In spite of TISCO's threats to the workers, JLA leaders decided not to go on strike, but to take charge in case one took place. DC report says that Halder attached little importance to the demands of the men but was more interested in saving JLA and extending its power. He would call off any strike for two concessions (i) no victimisation, (ii) recognition to JLA. Workers, disappointed with Halder and other JLA leaders, rejoined work after going on strike in 1922. They thus got nothing after these struggles.
- 28 Proceedings, Political (Special), F No. 51/1924 Also see *Bihar Gazetteer*, 1950, p 271.
- 29 Proceedings, Political (Special) 51/1924.
- 30 *Ibid.*
- 31 *Ibid.*
- 32 F No. (VIII) 1928 and 5 (VI) 1928.
- 33 When Homi invited Bose to visit TISCO the latter took permission from Motilal Nehru to intervene in TISCO affairs. Before negotiating with him, the directors of the company went to Calcutta and met some political leaders and members of the Indian Chamber of Commerce. It was rumoured that they wished to influence Bose through Motilal Nehru and the members of

the Chamber. Bose was in Lucknow at the time. Soon after the General Manager received a wire from Motilal Nehru recommending that they give Bose a patient hearing and come to an early settlement.

- 34 Police reports show that civil disobedience movement did not pick up in Jamshedpur and no notice was taken of Congress workers making salt in defiance of the law. In fact the GM informed the ASP of Jamshedpur that the work was going on well and production in some departments was the highest in the history of the company.

The Anjuman-Himayat, an association of Muslims of Jamshedpur, passed a resolution against supporting any political movement. They resolved to support the Government and the company identifying them as their true well-wishers (TISCO Personnel Department, Record Room F No. 217/20). Pathans were indulging in actively opposing the programmes of the movement by openly selling British cloth to show their support to the Government (TISCO Personnel Department Record Room F No. 370/4/C).

NOTE

Legislating Against Fundamental Change: Land Legislation in Karnataka

THE analysis of agrarian reform in India has generally centred around the implementation of a given land legislation.¹ A high rate of implementation has been taken as sufficient evidence that the reform has in fact been successful. Little or no attention is paid to the nature of the legislation itself. Analyses of the biases of a particular legislation and the possibility of dominant classes benefiting from it have been given far less attention than they deserve. Our purpose in this paper is to view land legislation in Karnataka from this perspective.

In analysing the land reforms law in Karnataka it is perhaps best to start with the Mysore Land Reforms Act, 1961, which came into force in 1965. This represents a starting point in the sense that it was the first Act to cover the whole State. Prior to this time there were five major Acts in operation in different parts of the State with the Hyderabad Karnataka, the Bombay Karnataka, old Mysore, Coorg and the Karnataka districts of the Madras Presidency each having a land legislation of its own.²

The 1961 Act was in many ways typical of the land reform legislations of the period. It had stated objectives of change accompanied by stated loopholes to avoid change. Change in this conception consisted of just two basic components. First, the abolition of tenancy and, second, fixing a ceiling on land holdings with the surplus land to be redistributed. All further leases were banned. The only categories exempted from this ban were widows, unmarried women, minors, small cultivators, disabled persons and personnel of the armed services. With respect to the leases already in force when the Act commenced, the resumption of cultivation by the owner was restricted. The rent was fixed at one-fourth of the gross produce in the case of irrigated lands and one fifth of the gross produce in the case of other lands, subject to the condition that the existing rent could not be lowered. Land which could not be resumed was to be vested with the Government to be handed over to the tenants. Further, a ceiling on land holdings was imposed.

A closer look at the provisions of the 1961 Act makes it clear that the 'success' of the Act did not necessarily imply any significant change in rural Karnataka. Each of the above provisions were so defined that they did not have to affect any of the dominant sections of the State. In the case of tenancy, land could be resumed for personal cultivation, and personal cultivation was so defined that any one even supervising the cultivation was considered to be personally cultivating land. In addition, if a tenant defaulted in the payment of rent, did not cultivate for two years or sublet the land, the landowner could take back his land. Perhaps most interestingly, if a landowner required the land for non-agricultural purposes he was entitled to take it back. Further, certain categories of persons such as widows, minors, unmarried women, armed services personnel and small holders were exempted from the legislation,

The ceiling legislation was also so framed that even the largest landholders need not have lost any land. A former land reforms adviser to the Government of Karnataka points out that a family of 10 could hold land upto 432 acres.³ What is even more astounding is the exception made out for sugarcane production by sugar factories. This ceiling was supposed to be one-sixth of the total land required by the factory. Since the amount of land required was open to manipulation, any amount of sugarcane land could be cultivated by simply overstating that amount six times. The same land reforms adviser quotes the case of a sugar factory which, in 1971, was permitted by the ceiling legislation to retain 25,000 acres of sugarcane land!⁴ It was thus the grossest of understatements when it was held that "in actual operation the law revealed a number of imperfections".⁵

By the early 1970's the situation in India in general and in Karnataka in particular was such that the word socialism came into common usage in political circles. Land reforms, it was stated, had to be implemented. As a consequence the land legislation had to be made 'implementable'. The Act was drastically overhauled by the 1974 legislation which was termed the 1974 Amendment Act.

The 1974 Amendment Act, we shall argue, had to serve the dual purpose of being implementable while at the same time not attacking in any major way the dominant classes in rural Karnataka. This purpose was served by bringing about changes in favour of the already dominant classes. By aggressively advocating their interests, the legislation could be easily implemented. In other places where the idea of reform required these interests to be strongly attacked, changes were made in such a manner that while the Act sounded more radical, the real effects were negligible. This basic character of the 1974 Amendment Act becomes quite clear when we analyse the changes brought about in the Land Reforms Act.

The most talked about change brought about in the 1974 Amendment Act was the removal of all but one of the exemptions from the

tenancy legislation. It was argued that a large number of holdings were now being held in the names of widows, minors, unmarried daughters and mentally or physically disabled members of a family. As such, a strong case was built up for radical reforms aimed at removing such exemptions. All exemptions except that for soldiers and seamen were abolished. In removing these exemptions the 1974 Act also removed the exemptions for the small holders. As a result a small holder who did not have the financial ability to cultivate himself was now to lose his land. This was particularly important in the northern and southern regions where there did exist the possibility of small holders leasing out their land when they were financially unable to cultivate themselves.

To further support the interests of the tenants, the right to resumption of tenanted land was abolished⁶ except in the case of soldiers and seamen. This marked a major break from the 1961 legislation when any one could resume the cultivation of his land as long as he or a member of his family personally supervised such cultivation. In fact that land could also be resumed even for industrial purposes. By the original Act, a tenant was entitled to a part of the land, except in cases where the landlord was a small holder. By the Amendment to the Act, however, small holders were not allowed to resume cultivation even if their tenants were themselves large holders.

While in the stated attempt to tighten up the legislation all exemptions to small holders were removed, there was at the same time no attempt to curb the rights of the dominant class tenants. The 1974 Act did not touch the earlier clause that an owner of land was also entitled to claim more land as a tenant. It retained the original words that if a tenant "holds and cultivates personally as an owner of any land the area of which is less the ceiling area, he shall be entitled to be registered an occupant to the extent of such area as will be sufficient to make up his holdings to the extent of a ceiling area".⁷ When, as we shall see later, we recognise that the ceiling area is by no means restrictive, the full implications of the retention of such a clause become obvious. The dominant class tenants of southern and northern Karnataka do seem to have had a very favourable legislation.

The dominant class tenants were not only allowed the same right as the poor tenants in the matter of the price to be paid for the land but they even had a distinct advantage. The Land Reforms Act in Karnataka did not, strictly speaking, grant land to the tenants. All that the written law did was to grant the tenant the right to purchase the land at a predetermined fixed price. This price in the case of A, B and C class lands was fixed at 15 times the net annual income and in the case of D class land it was 20 times the net annual income.⁸ The net annual income was also quite simply, since 1974, 10 times the aggregate of the land revenue and the water rate.⁹ The state government was to be merely a holding agency collecting

the land at a price from the landlord, and later handing it over to the occupant at the same price. The only advantage the tenant had was that this price was less than the market price.

By acting merely as a low price selling agent, the government in its land reforms law required the tenant to buy his land. As such there was already a distinction between those tenants who could afford to buy the land and those who could not. Those who could not, had to pay Rs. 2000 as a premium in the very first instance, unless of course the value of the land was less than Rs. 2000.¹⁰ It was only on receipt of this payment that the land would be handed over to the tenant.¹¹ Till the end of October 1980, in fact, the premium collected by the law reforms department was actually greater than the compensation paid.¹² In order to facilitate the poor tenants getting the land, the State Land Development Bank was to grant them a loan at 5.5 per cent rate of interest. Thus while the dominant class tenants could claim the land immediately the poor tenants had to undergo at least a period of prolonged indebtedness before the land could be really speaking theirs.

It may be argued with some justification that in practice the price paid by the poor tenant is much lower as the Land Development Bank does not insist on the repayment of the loan. Such an argument, however, does get substantially weakened when we look at the control that the existence of such a loan exercises. The land reforms law clearly states that "the amount advanced to the tenants by the State Land Development Bank... may be recovered by the State Government in the same manner as arrears of land revenue and paid to the said bank".¹³ As such the rural elite who generally control the government institutions at the village level could very easily use this law to pressurise an errant former poor tenant. In fact, not insisting on the repayment may even put greater pressure on an errant tenant in the long run than an insistence on an immediate repayment. In this context it must be pointed out that this policy of insisting on repayment in law but not in immediate practice also exists in other schemes of the Karnataka government. In the Janata Housing Scheme, for instance, it has been pointed out, while it is legally required of the beneficiary to pay back the loan over a period of 20 years, in practice the repayments are not at all insisted upon.¹⁴ The fact that the government retained the clause in at least two of its major schemes without insisting on repayment in both can hardly be taken as a coincidence.

Ceiling Legislation

At the first glance the ceiling legislation as amended by the 1974 Act would seem to be of revolutionary dimensions. The ceiling of 27 standard acres was drastically reduced to just 10 units.¹⁵ Moreover, the land which was brought under the ceiling was

much greater. Dairy farming, poultry farming and the breeding of livestock which were all not considered as agriculture in the 1961 Act were now to be included in agricultural land.¹⁶ In addition, for a family exceeding five members each additional member was allowed only two additional units upto a maximum of 20 units in the aggregate,¹⁷ while in the original legislation each additional member was allowed six standard acres upto a maximum of 54 standard acres for the entire family. The ceiling for a sugar factory though still liberal was reduced to a fixed 50 units.¹⁸ In the context of the 25,000 acres case quoted earlier even 50 units was a drastic reduction.

If one looks at these changes in the ceiling law in isolation, it certainly gives one the picture of a very radical legislation. Yet when one looks at the Amendment Act as a whole it can be quite clearly seen that there are several other changes all of which have the effect of increasing the ceiling in practice. These other changes being far-reaching, it is quite likely that it could leave the threat of ceiling exactly where it was in the original Act—radical in words without posing any real danger to the large landholders.

The first striking change which would counter the effect of the reduced ceiling was the substitution by the Amendment Act of units of land for the existing standard acres.¹⁹ In the 1961 Act one acre of "first class irrigated land" was called a standard acre. This was equal to a maximum of eight acres of the worst quality land. The worst land was defined as one unirrigated and receiving less than 25 inches of rainfall per year. This classification was dropped in the Amendment Act on the grounds of administrative difficulties. Instead a unit was defined as land with a soil classification of above '8 annas' and "having facilities for assured irrigation from such *Government canals and Government Tanks* as are notified by the State Government to be capable of supplying water for growing two crops of paddy in a year" (emphasis added). All lands satisfying this irrigation criteria irrespective of the soil classification were termed as A class lands. Lands irrigated by government tanks but capable of growing only one crop of paddy a year were classified as B class land. The B class also included land irrigated by government lift irrigation projects which were capable of growing two crops of paddy a year. All other government irrigated lands were classified as C class along with other paddy and areca lands as also lands taking water from government canals and tanks through privately owned pumpsets or other devices. All other lands were classified as dry and hence belonging to class D.

These classes of lands were further sub-divided into two categories—those having a soil classification of above '8 annas' and those having a soil classification of below '8 annas'. The equivalent extents of each kind of land was to be determined as follows:

- 1 acre of A Class Land with High Soil Classification
- = 1.3 acres of A Class Land with Low Soil Classification

- =1.5 acres of B Class Land with High Soil Classification
- =2.0 acres of B Class Land with Low Soil Classification
- =2.5 acres of C Class Land with High Soil Classification
- =3.0 acres of C Class Land with Low Soil Classification
- =5.4 acres of D Class Land.

The importance of this classification is that unlike the standard acre, land which was privately irrigated received a tremendous concession. A farm with the best quality of land and fully irrigated through private sources now faced a ceiling of 25 acres. This is hardly a drastic reduction from the ceiling of 27 acres by the 1961 Act. And this is only one of the counteracting changes brought about by the 1974 Act.

Another change with a major benefit for the large landholders was the redefinition of the family. In the original Act, family meant the husband, the wife and the dependent children and grandchildren. In the 1974 act family was taken to mean the husband, the wife, the unmarried daughters and *minor sons*.²⁰ In other words, an adult son could claim to be a separate family and claim more land upto the ceiling. What is most important is that even in a joint family the ceiling had to be determined assuming that the adult sons formed a separate family. By the original legislation a family of 10 members could own 54 acres of the best quality land irrigated through private sources. Under the 1974 legislation, on the other hand, the same family often, if it had five adult sons, could own 150 acres (25x6) of the best quality privately irrigated land.

Another important implication of the change in the definition of the family in 1974 was that if one member of a large joint family was cultivating the land of another member he could, by virtue of this new definition, claim the land as a tenant. In one case three daughters of a family were entitled to an equal share of the land. Since, however, this land was cultivated by the husband of one of the daughters, he was granted the entire land as an implementation of tenancy legislation.²¹ The implementation of tenancy legislation could therefore be used in family feuds.

Even in a case where a family did not have any adult sons the ceiling was not always restricted to 10 units. In a family of more than five members two extra units were allowed for every additional member. The ceiling was not to exceed an aggregate of 20 units. Thus the contention of the 1961 Act that families of 10 members and above would be entitled to twice the ceiling limit was retained. The only difference was that if any of the members were adult males the ceiling was, as we have seen earlier, substantially larger.

Running right through the tenancy and ceiling legislation of the 1974 Amendment Act was a single thread. There was a consistent distinction made in favour of those who invested in private irrigation. The classification of land was heavily biased in favour of private

irrigation. A single family holding growing two crops of paddy a year could have a ceiling of 25 acres if it was privately irrigated and only 10 acres if it was irrigated through government sources.

This bias towards private investment did not cover only past investment. The Amendment Act has provisions to cover future investment also. If a particular piece of land were to come into a higher class in the future because of irrigation it would still be treated as belonging to the original class if the irrigation was through private sources.²² If on the other hand the irrigation was through government sources, then, automatically, the new classification would come into force and a part of this land could be declared surplus.²³ This was clearly an incentive for future private investment. By this clause if a land was declared dry a single family of five with only minor children could own 54 acres of fully privately irrigated land, just so long as this land was irrigated after the Act commenced.

The difference between the original Act and the 1974 Amendment Act comes out clearly when we look at the different ceiling limits. In the case of fully privately irrigated paddy land the ceiling as, we said earlier, actually increased in practice from 54 acres in 1961 to 150 acres in 1974 for a family of 10 with five adult sons. In the case of the same family, if the land was irrigated by government sources, the ceiling increased less sharply from 54 to 60 acres. In the case of dry land the ceiling dropped from 432 acres in 1961 to 324 acres in 1974. Thus while the 1974 amendment was hardly as drastic as it sounded it was relatively more favourable to those who invested in private irrigation when compared to those who did not.

This bias towards private irrigation was also reflected in the tenancy legislation. The rent was now fixed as a multiple of the aggregate of the land revenue and the water rate. The water rate, however, was paid only for government irrigated land. Since the price paid by the tenant was 15 times this aggregate, government irrigated lands were costlier than private irrigated lands. The tenant was, moreover, encouraged to invest in his land as he would not have to pay a higher price for privately improved land when he claimed it as an occupant.

The 1974 amendments regarding the ceiling legislation can, therefore, be seen as a case of making the legislation sound more drastic while in actual fact protecting the status quo. The only positive contribution of the ceiling legislation in 1974 was its attempt to encourage private investment.

The Administration Machinery

In order to facilitate the administration of this legislation, land tribunals were set up.²⁴ There was to be a minimum of one land tribunal for each taluk though in districts like South Kanara, which had a large number of cases, more tribunals were established.

At the last count 184 tribunals were said to be in existence, with more likely to be set up.

These tribunals were a kind of supreme body in deciding the most important questions of the legislation. All powers of deciding whether a person was a tenant or not, identifying surplus land and distribution of surplus land, among others, were vested with the tribunals. The verdict of a tribunal could be questioned only in the High Court.

The Tahsildar was the next important authority in the implementation of land legislation.²⁵ His tasks were not as important as that of the tribunal and generally covered the more routine matters such as deciding the extent of compensation or issuing certificates. The Tahsildar was also often, though not necessarily, the secretary to the tribunal. This power, however, did not enable him to pass judgement on any of the questions before the tribunal.

The land tribunals being the most crucial agency in the implementation of land legislation it is scarcely surprising that its composition has been a bone of political contention. The members of the tribunal have been constantly changed whenever a new political party or group came to power.²⁶ Technically speaking, the land tribunal consists of the Assistant Commissioner and four non-official members. The Assistant Commissioner is the chairman of the tribunal and at least one of the four non-official members must belong to a scheduled caste or tribe. In practice these four members have always been politically nominated. Most tribunals would have at least the Taluk Development Board chairman as its member if not a member of the Legislative Assembly. Such members in rural Karnataka invariably belong to the rural elite. This being the case the composition of the land tribunal is at present at least heavily biased against any large-scale change. This would indeed, in the present context, make the immense powers given to the tribunals more ominous than revolutionary.

Conclusion

Just as the 1961 Act was characterised by a tendency to legislate without changing rural Karnataka, the 1974 amendments reflected very clear biases. In building up a case for tenants in general it saw to it that the large tenants could benefit more than the small. Moreover, in the case where the large tenant claimed the land of a small landholder it quite clearly supported the large tenant. This would be the case even where the large tenant was among the biggest landowners in the village.

In sharp contrast to the air-tight support it gives to tenants, the 1974 Amendment Act retains the effective ceiling at where it was in 1961. While sharply reducing the stated ceiling, sufficient loopholes and exemptions were added on to compensate for the reduced ceiling.

The emphasis in the 1974 Act on private investment was, however, a major change from the original Act. What the Amendment Act clearly sought to do was to ensure that any dominant class farmer would gain just as long as he invested. The Act therefore was an aggressive attempt at retaining a more efficient *status quo*. With this process being presided over by a politically influential land tribunal, political gains through such aggressiveness were also made possible.

The above analysis throws up one fundamental question. How is it possible for the Land Reforms Act both to sound radical as well as maintain *status quo*? The most important reason for this must lie in the fact that ownership and control are, in the Act, taken as identical. Right through the Act the emphasis is on attacking ownership, irrespective of who controls the land. While one would agree that the extent of ownership would determine the extent of control it is not at all necessary that a farmer controls all that he owns. A large landlord may lease in and control the land of a small landholder. It is equally likely that a single large landlord may control several hundred acres of land registered under the names of various members of his family, leaving no land for redistribution. In a society like rural Karnataka where ownership and control are not identical, an attack on ownership alone could provide an excellent facade for retaining control in the same hands. Granting land to dominant class tenants is a clear example of such an exercise. It is precisely this attack on ownership rather than on control which enables the 1974 amendment of the Karnataka Land Reforms Act to be the most 'revolutionary' attack on small holders and, by not identifying surplus land, on agricultural labourers.

NARENDAR PANI*

- 1 P C Joshi, *Land Reforms in India—Trends and Perspectives*, New Delhi, Allied, 1975.
- 2 For a brief summary of the Karnataka Land Reforms Act see M A S Rajan, *The Land Reform Law in Karnataka*, Bangalore, Government Press, 1979.
- 3 *Ibid*, p 7.
- 4 *Ibid*, p 9.
- 5 *Ibid*, p 9.
- 6 Karnataka Land Reforms Act 10 of 1962, as amended in 1974 (KLRA 1974), Section 14.
- 7 Karnataka Land Reforms Act as amended by Acts upto and by 23 of 1977, (KLRA 1977), Section 45 (2) (iii).
- 8 *Ibid*, Section 47.
- 9 *Ibid*, Section 8.
- 10 *Ibid*, Section 53.
- 11 *Ibid*, Section 55.
- 12 This refers to the amount credited to the government treasury, including amounts from the land development banks. Quoted in the records of the office of the Land Reforms Adviser, Government of Karnataka.

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- 13 KLRA 1977, Section 53 (IB).
- 14 K Jairaj, "People's Housing Scheme in Karnataka—A Micro Evaluation", paper presented at KSCST seminar on Low Cost Housing, Bangalore, May 21 and 22, 1979, p 10.
- 15 KLRA 1977, Section 63 (2).
- 16 *Ibid*, Section 2 (A) (1).
- 17 *Ibid*, Section 63 (2).
- 18 *Ibid*, Section 63 (8) (a).
- 19 KLRA 1974, Schedule I, Part A.
- 20 *Ibid*, Section 2 (12).
- 21 Case of Sannappachari vs. Nanjappa Ravad, 1973, *Mysore Law Journal*, Sh N 67.
- 22 KLRA 1977, Section 75.
- 23 *Ibid*, Section 65 A.
- 24 *Ibid*, Section 49 and 49 A.
- 25 The duties of the Tahsildar and the Tribunals are listed out in KLRA 1977, Section 1.2.
- 26 Lalitha Natraj, "Politics of Land Tribunals", *Economic and Political Weekly*, Vol. 15, June 28, 1980.

unification in the historical activity of these groups, but this tendency is continually interrupted by the activity of the ruling groups; it therefore can only be demonstrated when an historical cycle is completed and this cycle culminates in success. Subaltern Groups are always subject to the activity of ruling groups, even when they rebel and rise up: only permanent victory breaks their subordination, and that too not immediately. In reality, even when they appear triumphant, the subaltern groups are merely anxious to defend themselves. ... Every trace of independent action on the part of subaltern groups should therefore be of incalculable value for the integral historian."²

So far, we have only partially achieved this object. While Indian bourgeois historians, as opposed to those who suffer from the colonial hangover and see Indian independence as a 'gift' from Britain, have stressed the independence and anti-imperialism of the Indian bourgeoisie but have ignored their disruptive role in the face of peasants' and workers' mass upsurges, a similar approach to the study of pre-independence workers' and peasants' movements has yet to develop in the academic sphere. And those who wish to develop it must be careful of yet another pitfall, that of equating the Indian national bourgeoisie with its imperialist counterpart, resulting in "a total underestimation of the extent to which differentiations was taking place, and was bound to take place, between the monopolists of the imperialist countries and the young bourgeoisie."³ Such a blindspot would totally prevent an understanding of why, as the national movement became more and more militant, the colonial power intensified its attack on money-lenders and Indian merchant capital, nor would it explain the prestige these elements had among the peasantry, which constantly sought out such leaders to advance its struggles. We may say that this leadership was historically incapable of accomplishing the agrarian revolution, but we cannot ignore the fact that it was their opposition to the colonial power, however moderate and vacillating, that drew the peasantry to them in the first place.

Gramsci was well aware of the problem of studying such social transformations; that is why he felt that a precise programme of study was necessary. He outlined this as follows: "The subaltern classes, by definition, are not unified and cannot unite until they are able to become a 'State': their history, therefore, is intertwined with that of civil society, and thereby with the history of States and groups of States. Hence it is necessary to study: 1. the objective formation of the subaltern social groups, by the developments and transformation occurring in the sphere of economic production; their quantitative diffusion and their origins in pre-existing social groups, whose mentality, ideology and aims they conserve for a time; 2. their active or passive affiliation to the dominant political formations, their attempts to influence the programmes of these formations in order to press claims of their own, and the consequences of these attempts in determining processes

of decomposition, renovation or neoformation; 3. the birth of new parties of the dominant groups, intended to conserve the assent of the subaltern groups and to maintain control over them. 4. the formations which the subaltern groups themselves produce, in order to press claims of a limited and partial character; 5. those new formations which assert the autonomy of the subaltern groups, but within the old framework; 6. those formations which assert the integral autonomy".⁴ A footnote to this scheme further clarifies what is meant by points 4, 5 and 6; what is meant is trade union formation, the formation of reformist parties and of communist parties respectively. Moreover, the activities and development of political parties like the Indian National Congress would be covered under points 2 and 5.

However, it is precisely such an approach that our 'subaltern historians' exclude if we go by Ranajit Guha's statement "On Some Aspects of the Historiography of Colonial India". There is, in his approach, a failure to distinguish between the Gramscian definition of 'elite', which corresponds to the Leninist 'vanguard', and that of Mosca, Pareto and the positivists in general, which corresponds to an 'oligarchy'.

Let us compare the concept of 'elite' as used by Gramsci and Guha. Gramsci, while speaking of bourgeois elite, says, "If not all entrepreneurs, at least an *elite* amongst them must have the capacity to be an organiser of society in general...because of the need to create the conditions most favourable to the expansion of their own class".⁵ That it is a concept far broader than that of the positivists is obvious from his description of the role of *elites* in the state and civil society: "At all events, the fact that the State Government, conceived as an autonomous force, should reflect back its prestige upon the class upon which it is based, is of the greatest practical and theoretical importance. ...Moreover, this phenomenon is not something exceptional, or characteristic of one kind of state only. It can, it seems, be incorporated into the function of *elites* or vanguards, i.e., of parties, in relation to the class which they represent".⁶ Therefore, unless one accepts the proposition of the anarchists that a working class state is inconceivable, this concept applies also to the revolutionary vanguard of the working class. Gramsci is amply clear when he states, "...innovation cannot come from the mass, at least at the beginning, except through the mediation of an *elite* for whom the conception implicit in human activity has already become to a certain degree a coherent and systematic ever-present awareness and a precise and decisive will".⁷ Again, he points out that "critical self-consciousness means, historically and politically, the creation of an *elite* of intellectuals. A human mass does not 'distinguish' itself, does not become independent in its own right without, in the widest sense, organising itself; and there is no organisation without intellectuals, that is,

without organisers and leaders, in other words without the theoretical aspect of the theory-practice nexus being distinguished concretely by the existence of a group of people 'specialised' in conceptual and philosophical elaboration of ideas'.⁸

Even at the individual level, Gramsci's concept is part and parcel of a class approach. He points out how "these elites cannot be formed or developed without a hierarchy of authority and intellectual competence growing up within them. The culmination of this process can be a great individual philosopher. *But he must be capable of reliving concretely the demands of the massive ideological community and of understanding that this cannot have the flexibility of movement proper to an individual brain, and must succeed in giving formal elaboration to the collective doctrine in the most relevant fashion, and the one most suited to the modes of thought of a collective thinker.*"⁹ Even behaviourally, he calls for "the struggle against the libertarian conception", a struggle which he takes to mean "precisely creating the elites necessary for the historical task, or at least developing them so that their function is extended to cover all spheres of human activity".¹⁰ Thus, in Gramsci, elites are spokesmen of all classes or of distinct sections of them, and are an even more precise delineation of the general class categories.

This precision, unfortunately, is lacking in Guha's approach. He lumps together both colonialist and Indian bourgeois historiography as "elitist historiography" (p 2), although earlier he distinguishes between them and appears to follow the positivist definition when, in a glaring contrast to what Gramsci says, he extols "the contribution made by people on their own, that is, independently of the elite" (p 3). That the concept has little to do with that of Gramsci becomes even more obvious in the note on terminology that follows, which states that "the term *elite* has been used in this statement to signify dominant groups, foreign as well as indigenous" (p 8). Also, in this blanket term were included "such classes and other elements as were either members of the dominant all-India groups...or if belonging to social strata hierarchically inferior to those of the dominant all-India groups (that) still acted in the interests of the latter and not in conformity to interests corresponding truly to their own social being" (p 8). And instead of Gramsci's precise analytical tool we get a category that is "heterogeneous in its composition"—"an ambiguity which it is up to the historian to sort out on the basis of a close and judicious reading of his evidence" (p 8). This is hardly the methodology that Gramsci has so painstakingly outlined.

The confusion of categories becomes increasingly evident in studies like Partha Chatterjee's "Agrarian Relations and Communism in Bengal, 1926-1935" where the author confuses the support given by Muslim members of the Bengal Legislative Council to anti-landlord motions to an amendment of the Bengal Tenancy Act of 1928.

with the spontaneous self-expression of the local solidarity of "peasant communities either possessing or lacking formal and regularly functioning institutions of communal authority" (p14) as a result of which communal outbursts aided and abetted by imperialist design or diversionary movements appear as part and parcel of "the relatively unorganised world of politics among the people" which "when it came into contact with the world of organised politics left its imprint on the latter" (p 17). In sharp contrast we find that where village level communal solidarity is transformed, by imperialist and landlord intervention in the colonial period primarily, into disruptive communal outbursts covering areas well beyond the scope of such solidarity and diverted into new channels, exactly the reverse is true. Communalism is not the 'imprint' of politics from below; it is the imprint of disruptive and diversionary politics from above and has nothing whatever to do with the organic solidarity of the village community. In fact, Gyan Pandey in his study of "Peasant Revolt and Indian Nationalism: Peasant Movement in Awadh, 1919-22" notes how "the phrase Sita Ram....became the chief rallying call of the movement—used by peasants of all communities, Muslims as well as Hindus, to bring out supporters for meetings and ... for resistance to Government and landlord agents attempting to overcome members of the Kisan Sabhas, confiscate movable property or take other action against the peasants" (p169). This is quite the reverse of Chatterjee's thesis and shows how peasant community solidarity and religious symbolism from below play quite a different role from that of divisive and disruptive communal mobilisation from above as described by Chatterjee in Kishoreganj, Pabna and Patuakhali, but the failure to distinguish between the outlook and intervention of imperialism and its bureaucracy, the landlords and the nationalist bourgeoisie results in an undifferentiated picture that turns events upside down.

Similarly, David Arnold, in his study, "Rebellious Hillmen: The Gudam Rampa Risings, 1839-1924", fails to distinguish between the hillmen's opposition to the colonial state machinery and policies and their contradictions with local traders and intermediaries, and hence to analyse the importance of the development of the unity of subaltern classes growing in the period under study vis-a-vis the colonial state, starting from "elite conflicts between external powers, attempting to extend their control from the plains into the hills, and the *muttadars* seeking to preserve their independence and privileges" (p140) to Sita Ram Raju's *fituri* (rebellion) of 1922-24, when the hillmen, led by a nationalist who was himself an outsider by Arnold's definition, were even seen to be "the base for a war of national liberation against the British" (p 141).

In fact, it is largely the narrowness of his definition of hillmen versus plainsmen that forces him to state that the "deliberate policy of killing only European officers and sparing their Indian

subordinates" in Raju's rebellion, "went against the *fituri* tradition" (p 139). Moreover, he begs the question by saying that "since the rebellion never spread beyond the hillmen's territory it is impossible to say how far Rama Raju would have been successful in linking the hillmen with Indian nationalists in the plains" (p 139); he even distorts facts to fit his argument by stating that "there were no subsequent attempts to use the *fituri* tradition in this way in the Gudam and Rampa hills, but the pattereden recurred in the late 1960s with the attempts by Naxalite communists to mobilize hillmen as the initial phase of rural insurrection and revolution in India" (p 141).

To achieve this sleight of hand he has had to overlook the work of P. Sundarayya, the leader and historiographer of the Telengana struggle, who points out how, far from ignoring the hillmen and preaching only non-violence to the Koyas, as Arnold avers: an *ashram* was being run for Koya boys by Perintalapalli Sadhu Sangaraju with Congress help, where "they were given some armed training as well"¹¹ "The ashram was on the banks of the river Godavari where Alluri Sita Ram Raju had led the Koya people in the nearby Agency areas of East Godavari and Vizag against the British Zulam during 1922-24. Those embers were still smouldering. The Communist Party established contact with these Koya youth, took classes, held discussions and a good number were won over. ... We put an end to the forced labour, usury and rack-renting indulged in by the landlords. ... Similarly, the Razakar and police camp at Mulkalapalli was attacked by the guerilla squads and it was abandoned later; in the attack nearly 2000 Koya people from all around could be mobilised to participate. All these actions swung the 200-odd Koya youth trained by Perintal Sadhu, with all their shotguns and a few hundred crude bombs, to come over to the Andhra Mahasabha and the Communist Party".¹²

This happened in the period from late 1947 to early 1948. After the Indian Union's intervention in September 1948 "the Party and the squads extended beyond river Godavari to the Bhadrachalam area, a part of old Sita Ram Raju's Koya Revolt area", where "the Government concentrated its efforts to clear us from the forest. ... It adopted the Briggs plan of evacuating the Koya tribal people to the outskirts of forests. For this, it burnt down their hamlets and resorted to mass beatings and mass murders. ... In the Gadepadu Camp alone 1500 people died of cholera within 2 months. In the whole area about 10,000 Koya people died of cholera, another 300 were shot or murdered by the police and military, and landlord goondas".¹³ Clearly these facts fit even less with Arnold's schema than the *fituri* of 1924. Moreover, the dual role of the bourgeoisie comes out very sharply when we note how Congressmen gave the Koyas arms training, on the one hand, under the leadership of Perintal Sadhu Sangaraju, and Nehru's armies crushed the same Koyas mercilessly through systematic terror, on the other. Obviously, the transfer of

power which lay behind this transformation represented more than a mere change of nomenclature for the bourgeoisie. Nor can the collaboration of the 'elite' with the colonial masters be taken for granted without doing the utmost damage to historical facts.

In fact, Hardiman, in his article entitled "The Indian 'Faction': A Political Theory Examined", cautions against the exaggeration of village-level activity to explain and analyse political phenomena of another order that occur at the district, state and all-India levels, as has been done by Paul Brass and a host of other authors who have taken village factionalism to represent Indian politics at all levels. In this, they are merely following the decline of political thinking that was criticised by Gramsci in 1933-34 as follows: "The rise of sociology is related to the decline of the concept of political science and the art of politics which took place in the nineteenth century (to be more accurate, in the second half of that century—with the success of evolutionary and positivist theories). Everything that is of real importance in sociology is nothing other than political science. *Politics became synonymous with parliamentary politics or the politics of personal cliques.* ...If political science means science of the State, and the state is the entire complex of practical and theoretical activities with which the ruling class not only justifies and maintains its dominance, but manages to win the active consent of those over whom it rules, then it is obvious that all the essential questions of sociology are nothing other than the questions of political science. *If there is a residue, this can only be made up of false problems i. e. frivolous problems.*"¹⁴

Hardiman correctly concludes that "the theory of the Great Indian Faction is supposed to explain the political mobilization of the subaltern classes by the elite. All it does in fact is to pinpoint certain aspects of class collaboration. Class collaboration occurs when members of subaltern classes believe that it is in their interests to collaborate with members of higher classes. This may be because of economic ties, or perhaps because of ties of caste and kinship which require 'brothers' to stick together. Class collaboration may be achieved through the threat of force—by, for instance, the landlord's henchmen ready to beat up the poor peasant who refuses political support. Whatever stability Indian society has had has depended to a large extent on the operation of such processes. Our task in studying the relationship between the subaltern classes and the elites (in correct Gramscian terms the word should be "ruling groups") should not be to trace so-called factional networks; but to ask why class collaboration has predominated at particular historical junctures" (p 231). Also, we might add, following Gramsci, that our task is to study the growing integration of the subaltern classes and their inevitable drive towards autonomy and state-formation.

... However, this orientation towards the study of the subaltern

classes in society has borne fruit and Shahid Amin's article, "Small Peasant Commodity Production and Rural Indebtedness: The Culture of Sugar Cane in Eastern UP, 1880-1920", is a case in point. Contrary to the facile theory put forward by bourgeois economists and historiographers that any growth of cash cropping represented the development of capitalism in agriculture, he shows how both the process and relations of production precluded such a development for the cane farmers of Eastern U. P.

The sugar mills, whose economic predominance could dictate terms, in order to reduce overhead costs and increase recovery, required a long cane-crushing season, from mid-November to the end of April, as a result of which "the peasants...were caught up in three agricultural activities. The standing cane crop had to be harvested, the fields had to be ploughed for the next year's sugar cane and inferior winter grains had to be gathered. Unable to take time off from these pressing engagements, and incapable of using his meagre livestock both for carting cane to the mills and ploughing his fields, the small peasant sold his standing cane crop to the itinerant dealer. More often than not, he received a price much below the prevailing market rate. In most cases these itinerant dealers were rich peasants" (pp 41-42).

However, this was only one side of the picture. The other side, which represents a conflicting set of exploiters, should not be underestimated; nor should the conflict between these two sets of exploiters be blanketed under the same 'elite' category as has been done by the 'subaltern historians'. First, there was the revenue demand by which "occupancy tenants had to pay their rents 21 days and non-occupancy tenants 30 days before the revenue *gists* (instalments). This was no doubt meant to give the Zamindars sufficient time to realize their rent, but it also showed that the government was in collusion with the landlords in asking for cash payments from the weaker sections of the peasantry at a time when peasant agriculture was incapable of generating a cash surplus. This was a case of private property in land impinging through the mechanism of rent on the very basis of peasant agriculture: rents in cash were demanded when there were no agricultural commodities at hand; crops were consequently hypothecated as the *gist* had to be paid whatever the cost" (p 83). This was irksome for the peasantry as a whole.

Moreover, in 1922, when an attempt was made by a liberal barrister of Gorakhpur to get the November and December *gists* amalgamated into one in January, it failed because it was thought to affect the zamindar interest and also the government collection and expenditure process which was geared to the former as well. And in effect "the financial expediency of the Government and the power the early *Kharif gist* allowed the landlords to exercise over their tenants, had combined once again to provide...an additional factor to the

general indebtedness of the peasantry. The production of cash crops for exchange below market rates was inextricably linked to it" (p 86).

Thus, semi-feudal social relations supported by state sanctions resulted in perpetuating a form of subsistence agriculture which was not optimal for cane cultivation. but "a much more intensive use of land, which affected both the immediate yields and the fertility of the soil, was resorted to by the ordinary peasants of east U. P. As their meagre grain stocks did not last the long fallows a succession of quick harvests was necessary" (p 54).

However, again in keeping with the definition of 'elite,' this paper too underestimates the irksome nature of revenue and rent demands even for the rich peasants, who, like Raj Kumar Sukul of Champaran, led and organised the peasantry against the planters and landlords. Much of this distortion occurs, however, from a failure to realise that the Indian bourgeoisie too was a subaltern class, albeit with links with the dominant groups, by means of which it developed a certain hegemony through the mediation of its party, the Indian National Congress. And only a study of the development of this party during the national movement, as well as of others, both of the group attempting to achieve hegemony among the subaltern groups as well as those of other subaltern groups, can elucidate correctly the level of integration achieved by the Indian state and the degree of disintegration resulting from the hegemonic tendencies of the subaltern group turned ruling group in the new state. This is the perspective that Gramsci has mapped out; but this is the perspective the 'subaltern historians' have excluded from the purview of their inquiry by definition.

SUNEET CHOPRA*

- 1 See especially S K Mittal and Krishan Dutt, "Raj Kumar Sukul and the Peasant Upsurge in Champaran", *Social Scientist*, Vol.4, No.9 (April 1975); S K Mittal and Kapil Kumar, "Baba Ram Chandra and Peasant Upsurge in Oudh: 1920-21", *Social Scientist*, Vol.6, No.11 (June 1978) and for a theoretical discussion, Suneet Chopra, "Bourgeois Historiography and the Peasant Question", *Social Scientist*, Vol.7, No.11 (June 1979).
- 2 Antonio Gramsci, "Notes on Italian History", in *Prison Notebooks*, 1971, pp 54-55.
- 3 E M S Namboodiripad, *The Programme Explained*, 1966, p 10
- 4 Gramsci, *op cit*, p 520.
- 5 Gramsci, "The Intellectuals", *op cit*, pp 5-6
- 6 Gramsci, "State and Civil Society", *op cit*, p 269.
- 7 Gramsci, "The Study of Philosophy", *op cit*, p 335.
- 8 *Ibid*, pp 334.
- 9 *Ibid*, pp 340-341.
- 10 Gramsci, "Americanism and Fordism", *op cit*, p 301.
- 11 P Sundaraya, *Telengana People's Struggle and its Lessons*, 1972, p 90.
- 12 *Ibid*, pp 90-91.
- 13 *Ibid*, p 244.
- 14 Gramsci, "State and Civil Society", *op cit*, pp 243-244.

*Treasurer, Democratic Youth Federation of India.

COMMUNICATION

The Second Kasauli Seminar on Aesthetics

A SEMINAR on some of the current problems in Indian aesthetics, organised by the forthcoming *Journal of Arts and Ideas* in collaboration with *Social Scientist* and with monetary aid from the ICSSR and the Sangeet Natak Akademi, was held in Kasauli from June 11 to 14, 1982. It consisted of three papers and seven presentations and was mainly representative of the performing and visual arts.

The main thrust of the seminar, and perhaps its strongest point, lay in its contemporaneity, its engagement with issues which most immediately affect the Indian cultural scene today. The presence of actual practitioners in the arts like Bansi Kaul, Maya Rao, Arun Khopkar, Vivan Sundaram and G. P. Deshpande, along with editors like M S Prabhakar and Sudhir Bedekar, apart from culture-critics from different parts of the country, gave a very special sense of urgency to the occasion, because the discussions did not remain at an abstract academic level but reflected the theoretical dimensions of some of the immediate demands of aesthetic practice in our country today. If the seminar had any single theme, it was the dynamics of the art-forms in our country at the present historical juncture.

In the opening session on June 11, G P Deshpande's paper on "Some Perspectives on the Theatre of Tomorrow" set the tone for the seminar. His paper pointed out how, in the post-1975 period, the sharpening of socio-political contradictions has been reflected in the division and polarisation of the world of the theatre itself. Whereas in the experimentations of the 1960-1975 period one finds the richness and multiplicity of colours within a single spectrum—a spectrum described by the class-consciousness of the 'urban middle classes' and their cultural liberalism—the subsequent years have witnessed the growth of a new camp, with greater ideological cohesiveness, which cannot be brought within the spectrum any more. He referred in this connection to the Dalit theatre in Maharashtra, which, desiring to use the theatre as an instrument of change, breaks away from westernised structures of consciousness and makes an effort towards the inversion and appropriation of indigenous myths.

However, precisely because "different realms are now possible",

it is only at the risk of perpetuating a "near-existential no-exit situation" that the people in the "already established realm" can stay away from the emergent possibilities of the drama of political commitment. 'Intervention' from them, which must be the result of a deliberate 'political' decision, is necessary for the latter as well, firstly because political commitment in itself is no substitute for a good theatre and the new realms of political consciousness impinging upon the theatre require a technical breakthrough for which the aid of veterans in technical innovations is needed, and secondly because, as in the case of Dalit theatre, the exploration of political reality through drama itself tends to get stalled after a certain point unless the investigative tools come from outside the sphere of Dalit consciousness.

Many of the subsequent presentations started by assuming rather than further analysing the socio-political change which necessitates a technical revolution in the sphere of arts; but the question of 'intervention', of 'appropriation', of the breaking up of established aesthetic structures was reiterated throughout the seminar.

Arun Khopkar and Ashish Rajadhyaksha, in a joint presentation on the "Linear and the Displaced" in cinema led a sustained attack on the linear narrative and the naturalistic techniques popularised by the 'Analytic Dramatic School'. As an alternative to the well-rounded story, Arun Khopkar, in an extremely useful formulation, upheld the 'epic' mode of narration as explored differently by Eisenstein and Ritwik Ghatak. The 'epic' mode makes possible the 'displacement' of conventional structures of response and the awakening of complex attitudes in the audience through a process of 'progressive eclecticism'. Eclecticism in itself may be the manifestation of an 'aesthetic fascism' which seeks to manipulate audience reaction from above while failing to synthesise the artistic ingredients being used. 'Progressive eclecticism', on the other hand, makes creative use of historic forms or modes of composition, relating to them in different ways ranging from parody to more complex variations than the pure reversal of intention. According to Khopkar's formulation 'progressive eclecticism' does not have a "predetermined aim", but the creative use of ingredients itself would ensure that they would ultimately synthesise. Rajadhyaksha added to this by pointing out that the 'epic form' is related to the development of revolutionary historical movements and put up Ritwik Ghatak's use of the archetypal image as an example.

The 'epic mode' and 'progressive eclecticism' came up as extremely fruitful concepts again in Vivan Sundaram's presentation on "Modern Narrative Painting" which included a demonstration of the slides of his own paintings as well of paintings by Bhupen Khakkar, Gulam Shaikh, Nalini Malani and Sudhir Patwardhan. Experimentations with the narrative-dramatic mode in painting, as one finds in these artists, signify a breakaway from the post-independence preoccupation with 'flat painting' which deliberately rejected

the 'gesture' or the 'personal mark' in painting and sought to bring out everything to the surface. 'Narrative painting', on the other hand, revives the gestural in a new way so as to introduce the sense of historical relationships, of simultaneity, of multiplicity through it. The flat surface is broken up into numerous levels and layers and the human figures as well as the setting come to suggest both a temporal and spatial depth. Using ingredients from as dissimilar sources as mediaeval European painting, impressionist techniques and the Mughal miniature, the narrative mode seems to evolve from the fabulous to the dramatic and then moves towards an epic absorption of multitudinousness into an integrated whole; a hierarchy of significance is worked out of the impression of simultaneity. Vivan Sundaram was able to demonstrate the successive signs of a genuine technical breakthrough in aesthetic practice in the sphere of painting where, taking lessons from indigenous as well as Western techniques, an integrated style, to demarcate the contemporary Indian experience of social-political change and continuity, is being developed.

Geeta Kapur's "K G Subramaniam's 'Dazzlers'" —a study with illustrative slides of the glass paintings by K. G. Subramaniam—was a prelude to Vivan Sundaram's presentation insofar as it demonstrated the creative eclecticism of the above-mentioned exhibits. This artist evolves a style of his own while using the techniques of the Kalighat 'pat' of Bengal and the Japanese lithograph known as the 'floating world'. As in the 'floating world', the prostitute turns up as the central figure in Subramaniam's 'dazzlers' too. The presentation traced the development of Subramaniam's style as it comes to include more figures in more and more complex relationships with each other, as an element of drama enters into the figures and as the lines of the 'pata' and the other received artistic ingredients are broken up or wilfully distorted. It emerged very clearly from the paper that aesthetic appropriation here was in the aid of a social realism which expresses itself in the ironic, or even cruelly sarcastic intention which Subramaniam realises through the displacement of accepted artistic structures. The 'narrative painting' of the younger group of artists aims at the appropriation not only of social space, but historical time and aims at development from the dramatic to the epic.

Though the presentations mentioned above concentrated on the working out of the internal logic of formal experimentations they inevitably led to the point where this inner logic yields to pressures which come from the outskirts of the world of aesthetics where the non-aesthetic come to impinge upon and interact with aesthetic. For example, Khopkar's description of manipulative art as "fascistic" as well as art which "fails to synthesize" the disparate ingredients it uses, brings out very clearly the juncture where the aesthetic opens up to accommodate non-artistic explanations. But this gives rise to another interesting speculation, namely, whether the concept of 'progressive

eclecticism' itself can be understood without reference to its social-political perimeter. Since the need for 'synthesis' is accepted as all-important, one has to ask the question whether the synthesising principle, like the manipulative principle has not a political component in it. To see the politicisation of art as an imposition, or as a tactical exigency that true art transcends, or as something relating to the subject-matter alone, is to over-simplify the significance of politics in art-form itself. The exploratory activities of art, no less than those of the sciences, have to start with a 'problematic,' which, no matter how different the tools are, gives the adventure into the unknown undertaken by the artist a sense of direction. This problematic insofar as it embodies an attitude towards reality, is social-political in nature. If an aesthetic discussion treats this 'problematic' merely as the static background of aesthetic practice, as something to be taken for granted and not as something being worked out continually through aesthetic practice, it might seem to approach arid formalism.

One aspect of the speculations introduced above, namely, the concept of art-forms as a social code renewing itself through specific structures of response, was however represented in Madan Gopal Singh's "The Raw and the Cooked"—a study of some of the recent dramatic productions in Delhi. This was almost the only presentation which sought to look at art as social production and to introduce the question of relationship between the product and its consumers. In looking at "technique as ideology", the presentation called for a complex treatment of 'form' in art, although the idea of the formal manifestations of ideology might have been elaborated theoretically. The manipulative role of aesthetic devices in favour of the dominant class in society and their effective incorporation of radical subject matter served as the background for the main thrust of the presentation which sought to expose the ideological dimensions of the naturalist theatre and described "the mystique of empiricist props" as the "tyranny of skill". However, if the presentation had made the role of the category of 'acceptability' clearer, there might have been more of a discussion on the question whether 'naturalism' is to be rejected on account of its 'acceptability' or whether a more complex attitude is due to it for that very reason.

Although it was not always clearly spelt out, the crux of the attack against the naturalistic mode in the different art-forms, repeated throughout the seminar, was that this mode perpetuates the manipulative role of art in a divided society, makes impossible a more active participation of the audience in the art-experience and seals out those dimensions of reality which go beyond the perimeters of bourgeois class-consciousness. Anuradha Kapur and Rati Bartholomew, in two short presentations on "The Narrative Technique in the Theatre" and "Theatrical Space", explored the possibilities of non-naturalistic theatrical modes in counteracting these effects. To the

accompaniment of demonstrations by Maya Rao, Bansi Kaul and G P Despande, the sheer gestural richness of the Japanese 'No', the Indian Kathakali and the indigenous form of street-theatre (Tamasha) was pointed out, and it became very clear how without the aid of the box-stage and its naturalistic paraphernalia, a nearly infinite range of partly symbolic, partly mimetic body-movements and gestures by themselves can create time, space and dramatic relationships for an audience.

One very attractive form of traditional popular dramatic entertainment expounded particularly in the first of these two presentations was the 'Ramlila'-festival of Ramnagar. It has certain formal resemblances with the mediaeval European mystery-play and like all ritual-dramas, has its basis on the communality of experience and active involvement of the audience in the dramatic 'agon'. In fact, there seems to be more than an 'active involvement', it is rather a kind of ecstatic identification with the 'agon'.

These extremely interesting art-forms, while they opened up a very wide range of possibilities for the theatre, also raised the question of 'appropriation'. Surely the whole point of such explorations into the traditional must be to relate oneself, through them, to the contemporary historical situation. The social-political structure of our country ensures the co-existence of feudal, or even pre-feudal, cultural formations with the mimicry of modes found to flourish under Western capitalism. In one's revulsion against the latter, one should not perhaps yield to the indigenous and the traditional without a historical analysis of their usability at the present juncture. That would be to replace one mystique by another, or even perhaps to make way for a new form of audience-manipulation. The authenticity of communal experience is not something self-evident, but ultimately determined by the pressure of historical necessity which produces it. By over-emphasising the vitality of the experience as something autonomous, one might tend towards that 'eclecticism' which is *not* progressive, which by its very nature fails to synthesise. As in the case of naturalism, 'acceptability' of these traditional cultural formations even to a very large sections of Indians should not be made the only criterion of their viability. The most important point about such traditional formations is that their continuity, which has its historical reasons, might be used as the basis for change. But in that case, one has to qualify one's attack against naturalism as well because, if one looks at the historical genesis of naturalism one finds that it incorporated within itself subversive devices of irony, of reversal, of displacement of stereotyped intention. If one admits that change of any kind does not come *ex nihilo* but out of the contradictions of the stratum of continuity, the need to explore whether the subversive devices within naturalism have exhausted their possibilities, must still be there. This is why 'acceptability', a category rightly

held in suspicion, has still perhaps its uses.

Malini Bhattacharya's paper on "The IPTA and its Impact on Bengali Theatre" was a study on the relationship between continuity and change in the world of Bengali theatre. It tried to see the present crisis of the Bengali theatre—a crisis consisting in the lack of genuine innovativeness—as one which cannot be described or explained in purely aesthetic terms. Secondly, it sought to relate this crisis to the failure at both the aesthetic and political levels to tackle the new problems created by the technical and organisational breakthrough achieved by the IPTA in the 1940's. Particularly in Bengal, the IPTA blazed the trail in exploring the material and the cultural basis for a possible alternative to the commercialised theatre and inaugurated a 'theatre movement' which consisted in involving the audience with the performers in a more active way than commercial theatre had thought possible. Carrying naturalism to its logical conclusion, *Nabanna*, the best known of the IPTA productions, lays bare the starkest details of the Bengali peasantry during the famine of 1943, but, even as such, transcends to some extent the sensational and sentimental effects that such naturalism might produce. The IPTA also sought to revitalise and to appropriate traditional folk-forms so as to release entertainment from the tyranny of the box-stage and costly props with its urban middle-class ideological implications.

To carry out this technical and organisational revolution in the sphere of the theatre, a revolution in the economic-political sphere would be required. But in the mean time, an organised movement challenging commercial theatre and opening up new possibilities of experimentation may go on. When the IPTA broke down in the 1950's the feeling in many quarters was that 'organisation' which is a political term and 'experimentation' which refers to aesthetic activity are mutually contradictory. This paper rejected this false assumption and explored the working of politics within a cultural mass-organisation, and within aesthetic activity.

It took up once more the theme of 'intervention' both in its artistic and political meaning and tried to establish a theoretical link between the two. The position it stated, but did not perhaps sufficiently expound, was that a technical breakthrough also embodies a correct political position—that is the correct, but not necessarily fully conscious, working out, at the aesthetic level, of a sound political thesis. For the crisis in the IPTA in the 1950's which stalled the kind of aesthetic experimentations that had been going on, it blamed not political intervention itself, but the lack of or the wrong kind of political intervention. It also suggested that the theatre movement in Bengal can only get out of its present aesthetic impasse when it is able to orient its practice to what would be the correct theoretical position at this juncture.

The third paper in the seminar, apart from G P Deshpande's

and Malini Bhattacharya's, was Mihir Bhattacharya's 'Lenin and the Free Theatre'. He sought to provide a Leninist model of the concept of the freedom of the theatre or of any art form for that matter, based on theoretical inferences from texts like *Party Organisation and Party Literature*. This started from a major premise where an art-form is seen from the point of view of the "specific modes of appropriation of reality" that it has and where reality is described as a "complex structure in a particular and knowable course of change both as an object of knowledge and as a determinant of aesthetic experience".

The Leninist formulation about the conditions of unfreedom that are basic to the aesthetic situation in a society where capitalist relations of production obtain, is next related to a global decay in the cultural sphere that we find in recent times. The penetration of capitalism into the sphere of popular entertainment in our country makes it vulnerable to the same threats; and it is the manipulative force of capital that was pointed out as creating 'acceptability' and as operating the mechanism of public demand "through the enormously sophisticated tools of advertisement and marketing" both in the advanced capitalist countries and to a certain extent in India. This manipulative role was linked up with the content of the public demand that is being created—a subtle and complex diversion of popular discontent, unease and tension at a critical historical juncture towards decadence and the destruction of reason. This becomes the cultural counterpart of an ideological decay manifesting itself in fascism, racism and chauvinism of all kinds. The producers of this culture are in the bondage firstly of the capitalist market in entertainment and secondly of the objective laws of the development and death of capitalism. It is pointed out with reference to the Hindi commercial film and the commercialised "jatra" in Bengal how the active communality of aesthetic experience is destroyed and a slave-audience brought into existence. Their 'appropriation' of reality consists in the distortion, even negation, of reality, but even as such reflects a prevailing mood in Indian society today.

The paper next tries to relate the possibilities of a technical revolution in the theatre at this historical juncture with a "realisation of the Marxist understanding of society in the terrain of drama". Lenin's demand for a literature "openly linked to the proletariat" is seen as the irreducible condition of the freedom of the artist and in deciding what this demand in effect means, the concept of 'overdetermination' is introduced and taking the examples of a number of well-known plays with a radical content, the paper analyses how they fall short of making a breakthrough. In finding the reason for failure the political cannot be separated from the aesthetic. What one discovers is failure to work out a political vision in the terrain of drama. On the other hand, as an example of 'overdetermination' in the

aesthetic sphere, of sheer triumph of artistic intelligence over the ingredients being used, Brecht is brought in. Other possibilities which do not rule out the use of naturalism as a transitional technique are also mentioned in the conclusion.

At the end Romi Khosla's presentation on innovations in architecture—with slides, some of which demonstrated the vitality of the architectural imagination in post-revolutionary Russia—also explored the central theme of the seminar with reference to a different medium insofar as his presentation sought to point out the politics of architecture.

The seminar was followed by a meeting which discussed the format, the possible themes and the editorial principles of the forthcoming *Journal of Arts and Ideas* of which the first issue is now being prepared for the press and is expected to come out in September.

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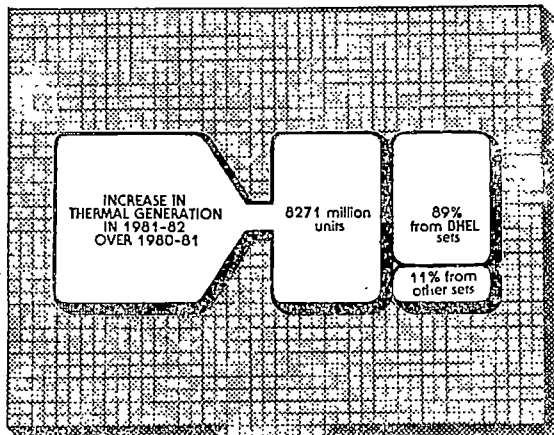
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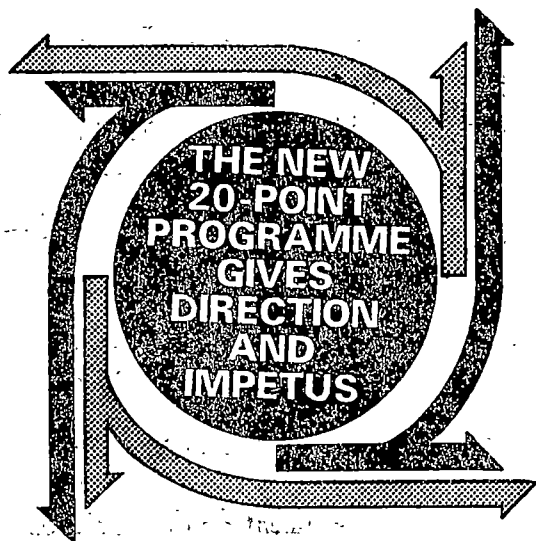
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Dialectics of Social Evolution □ On
the Polish Crisis □ Forty Years of
Yenan Talks □ Mitterrand's Social Demo-
cratic Policy □ Emasculation of OPEC

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Articles, notes, and review express the views of the authors and not necessarily of the editors or of the Indian School of Social Sciences.

Editorial Note

AN IRATE reader recently wrote to us terminating his subscription to *Social Scientist* on the grounds that it was "no longer a journal of debate among Marxists". Debate, according to him, "presupposes a protocol of reasoned argumentation"; simple "vilification or exchange of 'fiat', is surely not a Marxist mode of debate". Certain publications in *Social Scientist*, he believes, have been violating this protocol. He cites as an example E M S Namboodiripad's review of Debiprasad Chattopadhyaya's book on Lenin (No. 107); since the editorial note in that particular issue endorsed with "approval" this review, together with Madhu Prasad's article on Perry Andersen, he believes, *Social Scientist* has become a vehicle through which "particular political views have been imposed without recourse to reason and logic". Hence his decision to terminate his subscription.

Whether or not some other readers share this view, we think that the gist of our reply to this reader should be stated here so that our position is clarified in public. *Social Scientist* does aspire to promote debate among Marxists. This objective, we believe, is best served not by imposing censorship on articles on the grounds that they do not observe some "protocol", but by publishing articles *as well as* any rejoinders to them that may be forthcoming. We can be accused of shutting out debate if and only if we published an article but refused to publish a rejoinder to it, if and only if, in other words, we suppressed any point of view presented to us for publication. And this we have never done.

Debate prospers only when there is a forthright statement of position. Occasionally there may be statements in an article which are in the nature of assertions. In such cases, it is not for us to clamp down censorship on the article; that would be contrary to our objective of promoting debate. It is for the readers to write rejoinders pointing out that the particular statement(s) lacks any basis in facts or "reason and logic". We would be only too happy to publish such rejoinders, and that would constitute debate.

Now about the role of the editorial note and its alleged "approval" of particular pieces. It is useful to start with a preliminary point. Logically it is completely erroneous to believe that a journal can promote debate only if its editors hold no positions of their own. We do have views and positions of our own which we have articulated from time to time. As Marxists we believe that there is no such thing as "no position"; indeed the "no position" claim is itself tantamount to taking a position. But taking a position does not mean shutting out debate; on the contrary, precisely when one is convinced of one's position is one prepared to engage in and encourage debate. Positions get refined and enriched through debate. The purpose of debate is to identify the exact terrain of differences, to trace differences, in other words, back to certain irreducible first principles; once this is done then it is for history to decide which set of first principles is correct. But to clear the smoke to be able to see differences better, we welcome debate. So there is no contradiction whatsoever between our having a position and still wanting a debate.

What the editorial note is meant to do is to introduce the problematics of the various articles, and to underline their significance. Why is this necessary? For the following reason, apart from the general usefulness of our introduction: precisely because we wish neither to pretend that we are jelly fish umpiring over a match, not to "impose particular political views", we would like to have the freedom *both* to publish articles we disagree with *and* to demarcate ourselves from their problematics. This the editorial note *in principle* allows us to do.

Clearly therefore we do not necessarily share the problematics of all the articles we publish. Even when we do share the problematics of certain articles, we do not necessarily agree with each and every statement made in those articles. So to hold us responsible for all the statements made by an author on the grounds that the editorial note in a general sense endorsed his problematic would be patently unfair. The editorial note cannot be a running commentary on each statement of each article.

For an illustration, consider, the article on Poland in this number. This is the first of a series of articles we propose to publish on that crucial and complex issue. The authors would not necessarily agree among themselves, as we would not necessarily agree with them. With the present article too we have our points of difference; but we are glad to be able to publish it because it raises important points which might start a debate.

We are happy to say that after receiving our reply the reader who had raised these questions has agreed to write a rejoinder to the particular pieces which he objected to. We hope to be able to publish his rejoinder in a forthcoming number.

*Dialectics of Social Evolution:
Morgan, Marx and Engels*

IT is possible for us today to identify three main stages of the general evolution of human society. These are the primitive pre-class society, class society and the classless society taking shape before us over a large area of the world. Such a broad division of social evolution is not intended, of course, to overlook the fact of uneven development of different peoples. Nor is it meant to ignore the sub-stages of the pre-class society and more particularly those of the class society. What nevertheless needs to be emphasised is that we are liable to miss something of basic significance about human history if we do not begin with these main stages of social evolution,

Notwithstanding the grave anxiety caused these days by the development of the thermo-nuclear and biological weapons of mass destruction, the normal expectation of human survival on the earth—and, therefore, also of the classless society of the future—is for an immeasurable period of time. While looking back at the past, we have a somewhat similar impression. The period covered by the primitive pre-class society was immeasurably longer than the career of class society. On a rough estimate the latter “is at best one hundredth part of the time during which men have been active on our planet.”¹

In the time-scale, therefore, compared to the primitive pre-class society of the past and compared also to the classless society of the future, the life of class society is rather trifling, howsoever spectacular the human achievements may be during this comparatively insignificant period and vastly complicated though the contemporary problem is of man’s march forward to the classless society.

That, historically speaking, the class society is only a transitory phenomenon was emphasised over a hundred years back by Lewis Henry Morgan (1818-81), to whose masterpiece of field anthropology Marx and Engels owed their first full knowledge of the primitive pre-class society. While lifting the veil on the past, Morgan revealed also an inspiring vision of the future. Here is his judgment on private property and class society:

“Since the advent of civilization, the outgrowth of property

has been so immense, its forms so diversified, its uses so expanding and its management so intelligent in the interests of its owners, that it has become, on the part of the people, an unmanageable power. The human mind stands bewildered in the presence of its own creation. The time will come, nevertheless, when human intelligence will rise to the mastery over property, and define the relations of the state to the property it protects, as well as the obligations and the limits of the right of its owners. The interests of society are paramount to individual interests, and the two must be brought into just and harmonious relations. A mere property career is not the final destiny of mankind, if progress is to be the law of the future as it has been of the past. The time which has passed away since civilization began is but a fragment of the past duration of man's existence; and but a fragment of the ages yet to come. The dissolution of society bids fair to become the termination of a career of which property is the end and aim; because such a career contains the elements of self-destruction. Democracy in governments, brotherhood in society, equality in rights and privileges and universal education foreshadow the next higher plane of society to which experience, intelligence and knowledge are steadily tending. It will be a revival, in a higher form, of the liberty, equality and fraternity of the ancient gentes."²

We have added emphasis to two points above, because these are in need of some discussion. First, what is meant by "a revival, in a higher form, of the liberty, equality and fraternity of the ancient gentes"? We see in this how, without any knowledge of the writings of Marx and Engels—and even apparently without being influenced by Hegel—Morgan, by the sheer pressure of his own objective researches, was led brilliantly to anticipate the dialectics of social development, the most general law of which is "the negation of the negation": the primitive pre-class society (evidenced for Morgan by the ancient "gentes" or clans) was negated by class society characterised by the outgrowth of private property, while the class society in its turn is going to be negated again by the classless society of the future, ensuring for mankind the revival of the ancient equality and liberty, though at an incomparably higher level. But more of this later.

Vision of the Future: Marx and Engels

For the present, let us concentrate on his other point emphasised above. What was he driving at when he spoke of "the next higher plane of society to which experience, intelligence and knowledge are steadily tending"? Evidently enough, Morgan had in mind the law of social development. As characteristic of this law, he was in his own way even pointing to the inner contradiction of class society propelling it to the classless society. Thus he spoke of the outgrowth of property becoming: "for the people an unmanageable power" and

of human mind standing "bewildered in the presence of its own creation". Such expressions cannot indeed but be reminiscent of the analogy used by Marx and Engels in the *Manifesto of the Communist Party*: "like the sorcerer, who is no longer able to control the powers of the nether world whom he has called upon by his spells". For Marx and Engels, however, the whole thing was, of course, much more than a matter of mere analogy. And it is precisely here—i. e. for the right understanding of man's march forward from class society to the classless society of the future—that we have to leave Morgan's rather vague expressions like "experience, intelligence and knowledge" as tending to the next higher plane of society. Instead of these, we have to depend for the purpose on the analysis of contemporary society and the programme of action based on it, which we have from Marx and Engels. With their profoundly important discovery and analysis of the economic and social laws operating in contemporary society—a knowledge which is moreover enriched by their experience of actually participating in and organising the working class movement—Marx and Engels enable us to understand with far more clarity the massive march of humanity to the classless society of the future.

Far from being a pious wish—far from being just a spontaneous process either—it is above all a programme of active intervention of organised revolution under the leadership of the class-conscious working class. But this intervention—this revolution—is assured of success only to the extent to which it is based on the clear understanding of the socio-economic laws actually operating in the objective world. In other words, the feasibility of the call to action depends on the actual insight into these objective laws. As Lenin puts it, "Marx and Engels were the first to explain in their scientific works that socialism is not the invention of dreamers, but the final aim and necessary result of the development of productive forces in modern society. ... The services rendered by Marx and Engels to the working class may be expressed in a few words thus: they taught the working class to know itself and be conscious of itself, and they substituted science for dream."³

Philosophically speaking, it is first of all the question of knowledge and power, of freedom and necessity. Philosophers before Marx and Engels understood the question no doubt and even developed the momentous formulation that freedom is the recognition of necessity. However, they retained this understanding restricted on the whole to the sphere of the natural sciences. An outstanding achievement of Marxism was the extension of this understanding to the social sciences as well. As Engels very lucidly explained:

Active social forces work exactly like natural forces: blindly, destructively, so long as we do not understand, and reckon with,

them. But when once we understand them, when once we grasp their action, their direction, their effects, it depends only upon ourselves to subject them more and more to our own will, and by means of them to reach our own ends. And this holds quite especially of the mighty productive forces of today. As long as we obstinately refuse to understand the nature and the character of these social means of action, ... so long these forces are at work in spite of us, in opposition to us, so long they master us. ... But when once their nature is understood, they can, in the hands of the producers working together, be transformed from master demons into willing servants. The difference is as that between the destructive force of electricity in the lightning of the storm, and the electricity under command in the telegraph and the voltaic arc; the difference between a conflagration, and fire working in the service of man.⁴

How, then, are the working men and women going to use the knowledge of social forces and thereby attain mastery over these? The crucial point about it, as discovered by Marx and Engles, transformed socialism from the dream of the earlier utopians into an exact science. As Engles continued:

With this recognition, at last, of the real nature of the productive forces of today, the social anarchy of production gives place to a social regulation of production upon a definite plan, according to the needs of the community and of each individual. Then the capitalist mode of appropriation, in which the product enslaves first the producer and then the appropriator, is replaced by the mode of appropriation of the products that is based upon the nature of the modern means of production; upon the one hand, direct social appropriation, as means to the maintenance and extension of production—on the other, direct individual appropriation, as means of subsistence and of enjoyment. Whilst the capitalist mode of production more and more completely transforms the great majority of the population into proletarians, it creates the power which, under penalty of its own destruction, is forced to accomplish this revolution. Whilst it forces on more and more the transformation of the vast means of production, already socialised, into state property, it shows itself the way to accomplishing this revolution. *The proletariat seizes political power and turns the means of production into state property.*⁵

Social intervention thus based upon definite knowledge of social forces opens before man a new horizon of human freedom, a vision of which Morgan was evidently groping for but which, in Marxism, becomes infinitely more important because of being enriched by

scientific content. Here is the inspiring description of it given by Engels:

With the seizing of the means of production by society, production of commodities is done away with, and, simultaneously, the mastery of the product over the producer. Anarchy in social production is replaced by systematic, definite organisation. The struggle for individual existence disappears. Then for the first time man, in a certain sense, is finally marked off from the rest of the animal kingdom, and emerges from mere animal conditions of existence into really human ones. The whole sphere of the conditions of life which environ man, and which have hitherto ruled man now comes under the dominion and control of man, who for the first time becomes the real, conscious lord of Nature, because he has now become master of his own social organisation. The laws of his own social action, hitherto standing face to face with man as laws of Nature foreign to and dominating him, will then be used with full understanding, and so mastered by him. Man's own social organisation, hitherto confronting him as a necessity imposed by Nature and history, now becomes the result of his own free action. The extraneous objective forces that have hitherto governed history pass under the control of man himself. Only from that time will man himself, more and more consciously, make his own history—only from that time will the social causes set in movement by him have, in the main and in a constantly growing measure, the results intended by him. It is the ascent of man from the kingdom of necessity to the kingdom of freedom.⁶

Such then is the vision of the classless society of the future that inspired Marx and Engels in their writings as well as organisational activities. From this follows a simple point. However spectacular may be the human achievements so far during the rather insignificant period of class society, we are not to be too dazzled by these to be incapable of visualising immensely more important human achievements in the ages to come, when man moves forward from the realm of necessity to that of freedom.

Lifting the Veil on the Past: Morgan

However, though from the point of view of the analysis of the economic and social laws of the last phase of class society making room for the classless society, the writings of Marx and Engels are incomparably richer than that of Morgan, nevertheless, they were basically indebted to the discovery of Morgan for their own fuller understanding of the dialectics of social development. Hence Morgan's researches have in an important sense been incorporated into the fabric of the Marxist sociology. What, then, are these researches?

Though remembered as a pioneer of field anthropology, Morgan was by profession a lawyer practising in New York. What first drew him to anthropology was his legal profession. A certain business organisation was then trying to deprive by fraud the American Indian tribe called Seneca (belonging to the League of the Iroquois) of their land. Morgan successfully defended them in a law suit against the company. While doing this, he developed an absorbing interest in these tribal people and their social organisation. He earned so much of their confidence and love that he was formally adopted into the Seneca tribe—something extraordinary for tribal peoples to do. In 1851 was published his first major work on the tribal organisation, the *League of the Iroquois*. In 1870 was published his second major work, *Systems of Consanguinity and Affinity of the Human Family*. In this he undertook the work of a comprehensive collection of the terminology of kinship current among different peoples of the world, *i. e.*, as far as was possible for him to study. On the basis of this he put forth the thesis that kinship terms have sociological significance, often being pointers to anterior stages of actual social relations. This “has been the basis of sharp controversy among anthropologists, with recent evidence substantiating Morgan.”⁷ After more years of sustained research, in 1877, Morgan published his *magnum opus*—the *Ancient Society*.⁸ It was in this, as Engels said, he proceeded to reconstruct the “prehistoric foundation of our written history in its main features.”⁹

Let us first have a brief idea of his procedure for this reconstruction. Its starting point is the observed fact of uneven development of the different peoples of the world, understood by Morgan as illustrating the sequence of social evolution. As he put it, “As it is undeniable that portions of the human family have existed in a state of savagery, other portions in a state of barbarism, and still other portions in a state of civilisation, it seems equally so that these three distinct conditions are connected with each other in a *natural as well as necessary sequence of progress*. Moreover, that this sequence has been *historically true of the entire human family*, up to the status attained by each branch respectively, is rendered probable by the conditions under which all progress occurs, and by the known advancement of several branches of the family through two or more of these conditions.”¹⁰

Therefore, argued Morgan, “the remote ancestors of the Aryan nations presumptively passed through an experience similar to that of existing barbarous and savage tribes. Though the experience of these nations embodies all the information necessary to illustrate the periods of civilisation, both ancient and modern, together with a part of that in the later period of barbarism, their anterior experience much be deduced, in the main, from the traceable connection between the elements of their existing institutions and inventions, and similar

elements still preserved in those of savage and barbarous tribes.”¹¹

Hence was his conclusion: “*In studying the condition of tribes and nations in these several ethnical periods we are dealing, substantially, with the ancient history and condition of our own remote ancestors.*”¹²

Interestingly enough, basically the same proposition was accepted by the more thoughtful Greeks, before it had to be scrapped by the political requirements of the defence of slavery. We quote George Thomson:

“‘The Greeks lived once as the barbarians live now’. In these memorable words Thucydides enunciated with characteristic insight the principle of the comparative method in social anthropology. The same truth is implicit in the writings of Æschylus and Hippokrates. That was the materialist tradition. But already, in the time of Thucydides, the reaction had set in. The materialist view of social evolution was irreconcilable with the doctrine, fostered by the growth of slavery, that Greek and barbarian were different by nature. If such things as primitive communism, group marriage, and matriarchy were admitted into the beginnings of Greek civilisation, what would become of the dogma, on which the ruling class leant more and more heavily as the city-state declined, that its economic basis in private property, slave labour, and the subjection of women rested on natural justice?”¹³

Morgan and Later Researches

But let us return to Morgan. He argued the above over a hundred years back. Immense progress has since then been registered in the field of archaeology, creating better possibilities for reconstructing the prehistoric foundation of written history. But this has not undermined the basic significance of Morgan’s work and his methodology.

Archaeology tells us about the material remains of the extinct man and his works. But it does not directly inform us about their social organisation, nor about their beliefs, ideas and other institutions. This gap may, to a considerable extent, be filled up by inferences on the basis of anthropological data—from what is directly observed about peoples still surviving in certain pockets of the world under material conditions analogous to those of the extinct man. A good deal of caution is, of course, necessary to avoid this inference being over-simplified.¹⁴

Since Morgan’s time, new materials are also collected by the anthropologists and others for our understanding of the primitive society. These necessitate—as is only natural in all branches of scientific investigation—modifications of many points of Morgan’s pioneering work. Still his basic thesis remains, as that of Darwin, whose theory of biological evolution is not thrown out by the vast progress in the biological sciences after him. As Engels, writing in 1891, said, “During the fourteen years that have elapsed since the publication of his chief work (*Ancient Society*, 1877) our material

relating to the history of primitive human societies has been greatly augmented. In addition to anthropologists, travellers and professional pre-historians, students of comparative law have taken the field and have contributed new material and new points of view. As a consequence, some of Morgan's hypotheses pertaining to particular points have been shaken, or even become untenable. But nowhere have the newly-collected data led to the supplanting of his principal conceptions by others. In its main features, the order he introduced into the study of the history of primitive society holds good to this day. We can even say that it is finding increasingly general acceptance."¹⁵

This is specially true of classical field-anthropologists like Fison, Howitt, Spencer and Gillen in Australia who not only vigorously defended Morgan's conclusions but also collected new materials in substantiation of those. Among others, Bandelier and Powell in America and Briffault in England wanted to proceed on the basis of Morgan's findings and methodology.

Resistance to Morgan

But this is not the whole story. There also grew a strong resistance against Morgan and there is much talk among some anthropologists these days of rejecting Morgan outright. Some of the prominent representatives of this trend are Lowie, Radcliffe-Brown, Kroeber and Malinowski. But before putting much confidence in them, the readers may as well consult the works of George Thomson, who shows what lies behind the resistance to Morgan and where it leads to. We shall briefly note some of the points he has made.

One objection to Morgan is that he is much too committed to the laws of social development and historical progress. This, in other words, amounts to the charge that he wants that sociologists to be too severely scientific when they are in fact seeking convenient modes of evading the realities of decaying capitalism and its impending doom. Here is one example:

Lowie, one of Morgan's later-day antagonists, observes that his belief in social progress "was a natural accompaniment of the belief in historical laws, especially when tinged with the evolutionary optimism of the seventies." So Lowie does not believe in historical laws, especially when tinged with the "evolutionary optimism of the seventies". So Lowie does not believe in historical laws. He admits that his own view of history is unscientific. Why then does he ask us to believe it? What he says here is of course quite true in the sense that Morgan's work, which has justly been compared with Darwin's, was an intellectual masterpiece of capitalism in its prime. It is also true that Lowie's disbelief in social progress, expressed in caustic aphorisms about "that planless hodge-podge, that thing of shreds and patches, called civilisation", is an equally

characteristic product of capitalism in decay.¹⁶

Flippant methodology is called for to justify the flippancy of the conclusion. Instead of the sustained study of the tribal people in their tribal conditions, the work among a few stragglers degenerated by the commercial penetration of capitalism is sometimes considered enough for the purpose of offsetting the results reached by the former. Radcliffe-Brown's criticism of Howitt—who practically worked lifelong among the Australian tribes and who, on the basis of his own researches, became an enthusiast follower of Morgan—can be mentioned as a typical example of this. Radcliffe-Brown himself "investigated the Karera at a time when they had dwindled to a few dozen English-speaking stragglers hanging round the sheep-stations". On the basis of this he proposed to reject Howitt's findings. But he would have done better only if he heeded to Howitt's warning. "Unless", said Howitt, "an enquirer takes note of the altered conditions in which the remnants of tribes are living...his statements will conflict with those of earlier investigators who based their views on the rules which obtained when the tribespeople lived a savage life."¹⁷

Much is written these days against Morgan's method of inferring extinct social relations from the study of kinship terminology. Before passing on to these, let us have a brief idea of the exact point which is being contested. "It is a fundamental postulate of historical linguistics...that words change more slowly than the meanings attached to them. An examination of these terminologies shows in almost every case discrepancies between the relationships actually existing and those implied by the nomenclature of kinship, and discrepancies of this kind are evidence that the nomenclature has been inherited from an anterior stage in which it corresponded to the reality. This principle was enunciated by Morgan at a time when both sciences, linguistics and ethnology, were in their infancy, and the whole study of evolution, physical and social, has proved that it is correct. Just as biology, the study of the structure of extant living organisms, is reinforced by palaeontology, the study of fossils, so by applying the linguistic method to primitive peoples, whose history may be otherwise unknown, we can penetrate their past."¹⁸

In this own time, Morgan analysed the evidence of about 150 languages, to which George Thomson has added the evidence of 130 more languages, and on the basis of this he felt convinced about the general soundness of Morgan's conclusions.¹⁹ Others, however, have worked for obscuring what is already elicited, and this because of the fact that Morgan's findings, taken seriously, are pointers to human conditions doing without private property, modern marriage system, police and prison. To follow the track of Morgan, as J. D. Bernal has observed, "was too dangerous for academic anthropologists and

for the missionaries and traders who were their chief informants from the field, for it struck at the bases of government, morality and property."²⁰ Many of the academic anthropologists have, therefore, tried to pursue other tracks. Let us follow George Thomson to see where these other tracks want to lead us to.

"Accepting private property as something that 'was in the beginning', bourgeois thinkers have realised instinctively that Morgan must be resisted all along the line. But, though unanimous in opposing him, their front is not united, because they have been totally incapable of finding an agreed alternative."²¹

Here are only a few examples of this.

As against Morgan, Radcliffe-Brown has argued that "there is no reason whatever to suppose that the kinship terminology is a survival from some very different form of social organisation in a purely hypothetical past." How, then, are we to explain these terminologies? He has argued that "as against Morgan and those who follow him it can be shown that there is a very thorough functional relation between the kinship terminology of any tribe and the social organisation as it exists at present."²²

But another staunch opponent of Morgan has proposed to reject such an argument outright. Thus Kroeber has denied all possibilities of explaining the kinship terminologies in the light of social organisation. On the contrary, he has argued that the "terms of relationship are determined primarily by linguistic factors,... and then indirectly related to social circumstances."²³ From the Kroeber's point of view, therefore, Radcliffe-Brown's view of a thorough functional relation between kinship terminology and the present social organisation of the tribe is as fictitious as Morgan's view of these terminologies being but relics of the past social organisations.

But Malinowski has in fact suggested an amazingly simple way out of the entire controversy. It is, as George Thomson puts it, "to remove the whole problem from the realm of reality". Malinowski has claimed to have discovered that the kind of kinship terminology creating all these problems "does not exist and never has existed". Thus, in short, he has solved the problem by the simple denial of the enormous amount of factual data compiled by Morgan and others, which they wanted to understand and explain.

However, this is not the whole story of the resistance to Morgan in the recent Anglo-American school of social anthropology. Malinowski has in fact confessed that the representatives of this school do not really know what they are talking about. As he has put it:

"As a member of the *inner ring*, I may say that, whenever I meet Mrs. Seligman or Dr. Lowie; or discuss matters with Radcliffe-Brown or Kroeber, I become at once aware that my partner does not understand anything in the matter, and I end usually with the feeling

that this also applies to myself. This refers to all our writings on kinship and is fully reciprocal."²⁴

Why then at all write on the subject? The answer seems to be that it is felt that somehow or other Morgan has to be resisted. But why is there so much of zeal for rejecting Morgan? The only answer seems to be that Morgan's researches, taken seriously, go to prove that family, private property and the state are not eternal adjuncts to human existence. Or as Engels, depending on these researches, pointedly said: "They will fall as inevitably as they arose at an earlier stage."²⁵

Dialectics of Social Evolution

This leads us to see how others reacted to Morgan's researches and why these have become so powerful a factor in contemporary sociology associated specially with the names of Marx and Engels.

In a letter dated February 16, 1884. Engels wrote to Karl Kautsky:

"There exists an *important* book on the conditions of primitive society, as important as Darwin is in biology, and of course it is again Marx who discovered it: Morgan, *Ancient Society*, 1877. Marx spoke about it but my head was full of other things at that time and he never returned to it. This must have suited him, for he *himself* wanted to publicise the book among the Germans, as I see from the quite extensive extracts he made. ...If I had the time I would work up the material, with Marx's notes."²⁶

Evidently, Engels found the time for it, for in the same year (1884) was published his *The Origin of the Family, Private Property and the State in the light of the researches of Lewis H. Morgan*, and this, in a sense, as "the fulfilment of a bequest. It was no less a person than Karl Marx who had planned to present the results of Morgan's researches in connection with the conclusions arrived at by his own—within certain limits I might say our own—materialist investigation of history and thus to make clear their whole significance.... My work can offer but a meagre substitute for that which my departed friend was not destined to accomplish. However, I have before me, in his extensive extracts from Morgan, critical notes which I reproduce here wherever this is at all possible."²⁷

This is not the place for us to go into the details of the works of Morgan and Engels. But it is of importance to note how Morgan's researches helped Marx and Engels to arrive at their full formulation of the dialectics of social evolution. From this point of view, what is crucial about Morgan's work is the discovery of the full fact of the primitive pre-class society or primitive communism. In Morgan's terminology, during the vast period of human existence prior to reaching the 'Upper Stage of Barbarism'—which began with the technique of the smelting of iron and which passed into the stage of

Civilisation with the invention of phonetic alphabet—human society was yet to witness either family in the modern sense or private property and the state machinery. All these are the most salient features of class society.

Let us see why this discovery was really crucial for the full formulation of the dialectics of social evolution as the founders of Marxism want us to understand it.

It is well-known that, in 1847-48, when Marx and Engels drafted the *Manifesto of the Communist Party*, the fact of the pre-class society or primitive communism "was all but unknown". Hence was the formulation in the *Manifesto*: "The history of all hitherto existing society is the history of class struggles." It is also well-known that an amendment had eventually to be added to this formulation specially after Marx and Engels became acquainted with Morgan's researches. In 1888, Engels added this amendment, though in the form of a note, because, already in 1875, Marx and Engels jointly expressed the view that "the *Manifesto* has become a historical document which we have no longer any right to alter."²⁸ In this note of 1888, Engels said, "The inner organisation of this primitive communistic society was laid bare, in its typical form, by Morgan's crowning discovery of the true nature of the *gens* and its relation to the *tribe*. With the dissolution of these primaeval communities society begins to be differentiated into separate and finally antagonistic classes."²⁹

This, it must be noted, is more than a mere addition of some technical data arrived at by further researches in social sciences. Morgan's work showed that the primitive communistic society—far from having been a peculiar feature of some particular human group—represented a *stage in the natural as well as necessary sequence* in the social evolution of man. Moreover, in the time scale, it occupied a period immensely vaster than that of the class society as far as it was known to Morgan.³⁰

Morgan's work, in short, requires of us a qualitatively new understanding of the *past* evolution of society, just as, compared to Morgan's rather vague expectation of the classless society, the profoundly important economic and political analyses of Marx and Engels, require of us a qualitatively new understanding of the *future* evolution of society. In dialectical terminologies, while Morgan showed how the primitive pre-class society had to be negated by class society, Marx and Engels showed that the class society in its turn has got to be negated by the classless society of the future. The dialectical outlook, for which truth is the whole, cannot view the two negations in their mutual exclusion: the negation of class society by the classless society of the future acquires full dialectical significance when understood in connection with—or as a continuation of the same process of—the negation of the pre-class society of the past by the class

society of the present.

It is of importance to note another point in this connection. This socio-historical process of the negation of the negation is propelled in fact by the same force, namely, that of the development of the technique or mode of production. Morgan saw this in his own way while looking back at past society, while Marx foresaw it while looking forward to the future society. Morgan's researches led to the assertion that the development of the technique of obtaining the means of subsistence, beginning from the early stage of savagery, reached, at what he called the upper stage of barbarism, a situation in which conditions were created for a qualitative transformation of the social organisation—the emergence of class society on the ruins of the pre-class society. According to the researches of Marx and Engels, the further development of the technique of production through the successive stages of class society reached again under modern capitalism a situation that called for a qualitative transformation in social organisation—the emergence of classless society on the ruins of the class society. There is thus a real connecting thread between the researches of Morgan and Marx, to which Engels drew our attention when he said, "Morgan rediscovered in America, in his own way, the materialist conception of history that had been discovered by Marx forty years ago."³¹

In short, the researches of Morgan and Marx are in need of integration. When integrated, we have a fuller understanding of the dialectics of social evolution as determined by the technique of production. We may briefly recapitulate the main points of this.

In the primitive pre-class society, the technique of production was so rudimentary that the labour of the entire community was required to maintain it at the minimum level of subsistence. Human labour power was not yet capable of producing any surplus, hence there was no question of one section of the community living on the labour of another. With the development of the productive technique, human labour power became able to produce surplus—*i. e.*, more than was necessary for the bare maintenance of the labourer himself. Objective conditions were thus created for one section of the society to live on the labour of another. In other words, conditions were created for the possible division of society into two broad classes, namely, that of the direct producers and of those that expropriated their surplus product. Morgan, and following him Engels, showed how this possibility was actualised in human history. This was the negation of the primitive pre-class society by early class society, *i. e.*, as determined by the quantitative increase of human productive power reaching a qualitatively new level. The development of the technique of production continued through the successive stages of class society, culminating in capitalism. Under capitalism, however, the development of the productive technique reached again a

qualitatively new character as a result of which it became increasingly incompatible with the division of society into classes. In other words, conditions were created again for the negation of class society by the classless society of the future or for communism, though this at an incomparably higher level.

Such, then, are the main points of the dialectics of social development as understood in Marxism.

Morgan, Marx and Engels

But let us return to the writings of Marx and Engels before they were acquainted with the most extensive account of the pre-class society in Morgan's work. We shall note here two points about these writings. First, their analysis of the capitalist mode of production led them to a position that required the postulation of the primitive pre-class society. Secondly, in default of a comprehensive account of it, which they first came across in Morgan's work, they were often using whatever evidence they could lay their hands on about primitive communism in pre-Morgan sociology, and this for the purpose of arriving at a full formulation of the dialectics of social evolution. We can thus understand why the *Ancient Society* proved so enthralling for them.

First: the economic and social analysis of capitalism led Marx to the conclusion concerning the impending and inevitable doom of capitalism. But this was not all. What was also remarkable about this conclusion—and on which special emphasis was put already in the *Manifesto*³²—was that *the end of capitalism meant also the end of the entire career of class society*. It is on this point that the communist revolution really differs from all the preceding forms of social revolutions. Because of the inner contradictions that developed within slavery, for example, the slave system had eventually to make room for feudalism. But this was basically the overthrow of one form of class society in favour of another form of it. Because of the internal contradictions developing within feudalism, again, the feudal system had eventually to make room for capitalism. Howsoever revolutionary this social transformation might have been, this too was the replacement, after all, of class society in one form by another. With the deepening of the inner contradictions of capitalism, however, what Marx and Engels saw as happening before their eyes was something qualitatively different. Conditions were being created for “the total disappearance of class antagonisms”, for “the most radical rupture with traditional property relations”. As the *Manifesto* explains:

“All the preceding classes that got the upper hand, sought to fortify their already acquired status by subjecting society at large to their conditions of appropriation. The proletarians cannot become masters of the productive forces of society, except by abolishing their own previous mode of appropriation, and thereby also every other

previous mode of appropriation. They have nothing of their own to secure and to fortify; their mission is to destroy all previous securities for, and insurances of, individual property".³³

Thus, already in the *Manifesto* Marx and Engels were trying to visualise the passing away of class society, or, in the general historical canvas, of its inherent transitoriness. Such an understanding of the career of class society is required by the dialectical view, of course, because, as Engels repeatedly explained, shorn of all mystifications, dialectics means nothing but viewing things in their essential transitoriness or as involved in the ceaseless process of change—a view "in which nothing remains what, where and as it was, but everything moves, changes".³⁴ But what is meant by transitoriness, by change? There is no doubt that it means passing out of existence or ceasing to be; but *nothing really passes out of existence without coming into being*. Nothing is transitory if it is viewed as beginningless. Transitoriness, in short, means coming into being and passing out of existence.

In other words, the dialectical view of class society is not just the visualisation of the class society withering away or ceasing to be; it also requires the admission that the class society once came into being or that it had a definite beginning. So long as this beginning is not traced or known, the dialectical view of the passing away of class society remains at best inadequately explained. It was so with Marx and Engels in 1847-48, when they drafted the *Manifesto of the Communist Party*. They could see, what their economic and political analysis of capitalism led them to see, namely, the career of class society coming towards its end. But they were not yet aware of how the class society emerged on the ruins of the primitive pre-class society. Hence was their tremendous enthusiasm for Morgan's work, which for the first time enabled them to see fully that the time which has passed since the class society began is but a fragment of the past duration of man's existence.

Significantly enough, before being acquainted with the researches of Morgan, Marx and Engels were often using every scrap of information about the pre-class society or primitive communism that they could lay their hands on, and this for the purpose of moving towards a full formulation of the dialectics of social development.

In a letter written by Marx to Engels on March 25, 1868, we find the mention mainly of two such evidences—1) the works of G. Maurer (1790-1872) dealing mainly with the survival of primitive communist conditions in the German "mark" or commune, and 2) certain observations of the Roman historian Tacitus (c A. D. 55-120). Despite being often extremely cryptic—almost aphoristic—this letter of Marx is exceedingly important for our understanding of how he was then trying to move the full formulation of the dialectics of social evolution depending on the scanty data about primitive communism. The letter

needs to be read and reread in full, though we have the scope here to have only a brief extract from it:

It is the same with human history as with palaeontology. Even the best minds fail to see—on principle, owing to a certain judicial blindness—things which lie in front of their noses. Later, when the moment has arrived, one is surprised to find traces everywhere of what one has failed to see. The first reaction against the French Revolution and the Enlightenment which is connected with it was naturally to regard everything mediaeval as romantic; even people like Grimm are not free from this. The second reaction is to look beyond the Middle Ages into the primitive age of every nation, and that corresponds to the socialist trend, although those learned men have no idea that they have any connection with it. Then they are surprised to find what is newest in what is oldest—even equalitarians, to a degree which would have made Proudhon shudder.³⁵

As is characteristic of Marx's hurried notes, a considerable number of ideas and comments appears to be crowding the letter just quoted. But the main drift of his thought—the central theme connecting his ideas and comments—is not difficult to see. He comes across a few and fragmentary evidences of primitive communism or its survival in German and Roman history and, on the basis of these, gives us a glimpse of the dialectics of social development in the following remarkable expressions: "*to look...into the primitive age of every nation, and that corresponds to the socialist trend. ...They are surprised to find what is newest in what is oldest—even equalitarians, to a degree which would have made Proudhon shudder.*" Without violently distorting Marx we have to admit that "what is newest" is of course communism and "what is oldest" is primitive communism; hence to see what is newest in what is oldest "corresponds to the socialist trend". It was precisely the same point that Morgan also wanted to emphasise in his own way, when he said: "It will be a revival, in a higher form, of the liberty, equality and fraternity of the ancient gentes." However, in 1860, when Marx was making this momentous formulation containing the crux of the dialectics of social development, Morgan's *Ancient Society* was yet to appear. We can well understand Marx's enthusiasm for it, for it contained a detailed and sustained study of "what is oldest" or the primitive pre-class society. Morgan, it needs to be remembered here, "grappled with his material for nearly forty years until he completely mastered it. That is why his book is one of the few epoch-making works of our time."³⁶

What is said above about Marx's observation is also true of the writings of Engels before he read Morgan's work. In the *Anti-Duhring*, published in 1878 after Marx went through its entire manuscript,³⁷ Engels explained with various examples the law of the negation

negation, as "an extremely general—and for this reason extremely far-reaching and important—law of development of nature, history and thought".³⁸ In this connection he observed:

It is the same in history, as well. All civilized peoples begin with the common ownership of the land. With all peoples who have passed a certain primitive stage, this common ownership becomes in the course of the development of agriculture a fetter on production. It is abolished, negated, and after a longer or shorter series of intermediate stage is transformed into private property. But at a higher stage of agricultural development, brought about by private property in land itself, private property conversely becomes a fetter on production, as is the case today both with small and large landownership. The demand that it, too, should once again be transformed into common property necessarily arises. But this demand does not mean the restoration of the aboriginal common ownership, but the institution of a far higher and more developed form of possession in common which, far from being a hindrance to production, on the contrary for the first time will free production from all fetters and enable it to make full use of modern chemical discoveries and mechanical inventions.³⁹

Such, then, is the dialectics of social development visualised by Engels in the *Anti-Duhring*: common ownership (primitive communism) negated by private property, which, in its turn, is negated again for the revival of communism on a higher level. For our present discussion, however, the question is: What was his evidence for the starting point of the formulation—the evidence, in other words, of primitive communism having been a historical fact? In the *Anti-Duhring* itself, Engels gave us the impression of being aware of it only in a few and fragmentary forms, often inferred from its survivals in the village communities studied in pre-Morgan sociology, specially, as he says, in "Maurer's epoch-making writings on the primitive constitution of the German mark...and of the ever-increasing mass of literature, chiefly stimulated by Maurer, which is devoted to proving the primitive common ownership of the land among all civilized peoples of Europe and Asia, and to showing the various forms of its existence and dissolution."⁴⁰ But what was the weight of all these evidences compared to those on which Morgan's *Ancient Society* was based? We can judge it from Engel's own observation. In 1885, writing a new preface to the *Anti-Duhring*, Engels said that one of the main points on which he would have liked to alter the book "relates...to the history of primitive society, the key to which was provided by Morgan only in 1877. But as I have since then had the opportunity, in my work *The Origin of the Family, Private Property and the State* (1884), to work up the material which in the meantime had become available

to me, a reference to this later work meets the case."⁴¹

If Engels' *The Origin of Family, Private Property and State* has become for the Marxists a classic for the full understanding of the dialectics of social evolution, let us not forget the simple fact that in the title of the book Engels remembered to add: "*in the light of the researches of Lewis H. Morgan.*"

- 1 V Gordon Childe, *What Happened in History*, Penguin, 1957, p 7.
- 2 L H Morgan, *Ancient Society*, p 561. Emphasis added:
- 3 V I Lenin, *Frederick Engels*. See Marx and Engels, *Selected Works*, Moscow, 1975, pp 15-16.
- 4 F Engels, "Socialism: Utopian and Scientific", in Marx and Engels, *Selected Works*, Moscow, 1975, p 423. 5 *Ibid.* 6 *Ibid*, p 426.
- 7 B J Stern, in *Encyclopaedia of Social Sciences*, 1954, Vol XI, p 13.
- 8 The full title of the work is *Ancient Society, or Researches in the Lines of Progress from Savagery through Barbarism to Civilisation*.
- 9 Engels, *The Origin of the Family, Private Property and the State*, Moscow, 1952, p 10.
- 10 Morgan, *op cit*, p 3. Emphasis added. 11 *Ibid*, pp 7-8.
- 12 *Ibid*, p 18. Emphasis added.
- 13 G Thomson, *Studies in Ancient Greek Society*, London, 1949, Vol I, pp 142-143.
- 14 *Ibid*, p 34 f.
- 15 Engels, *Origin of Family...*, *op cit*, pp 32-33.
- 16 G Thomson, *op cit*, p 70.
- 17 *Ibid*, p 85 n. 18 *Ibid*, p 59. 19 *Ibid*, pp 59-60.
- 20 J D Bernal, *Science in History*, Penguin, 1969, p 1083.
- 21 Thomson, *op cit*, p 85. 22 *Ibid*, p 85. 23 *Ibid*, p 86.
- 24 Quoted by Thomson, *ibid*, p 86.
- 25 Engels, *Origin of Family...*, *op cit*, p 284.
- 26 Marx and Engels, *Selected Correspondence*, Moscow, 1975, p 347.
- 27 Engels, *Origin of Family...*, *op cit*, pp 7-8.
- 28 Marx and Engels, *Selected Works*, *op cit*, p 32.
- 29 *Ibid*, p 36n.
- 30 It needs to be noted that during Morgan's time practically nothing was known of the early class societies in Egypt and Mesopotamia, not to speak of Indus Valley. Morgan had to depend mainly on the evidences of ancient Greece and Rome.
- 31 Engels, *Origin of Family...*, *op cit*, p 7. This point is emphasised by Engels in his other writings also. For example, see, Marx and Engels, *Selected Correspondence*, *op cit*, p 347.
- 32 Marx and Engels, *Manifesto of the Communist Party*. See *Selected Works*, *op cit*, p 52.
- 33 *Ibid*, p 45. Emphasis added. Cf Engels, "Socialism Utopia and Scientific", in Marx and Engels, *Selected Works*, pp 424-425.
- 34 Engels, *Anti-Duhring*, Moscow, 1969, p 30.
- 35 Marx and Engels, *Selected Correspondence*, *op cit*, p 189. Emphasis added.
- 36 Engels, *Origin of Family...*, *op cit*, p 10.
- 37 Engels, *Anti-Duhring*, *op cit*, pp 13-14.
- 38 *Ibid*, p 168. 39 *Ibid*, p 165. 40 *Ibid*, p 211. 41 *Ibid*, p 15.

*The Quest for Socio-Economic Rationality
in Poland and the Crisis*

IN the late 1960's, Poland, along with other East European countries and the USSR, introduced comprehensive reform measures with a sufficient degree of decentralisation in the spheres of decision-making in planning and management of the economy. For Poland, this change was all the more significant because the aspiration for self-management among the working people was the most overt and manifest there. Also, the reform brought the question of economic efficiency to the fore. The purpose of this paper is to make an attempt to understand the problematics of the post-reform economic management in Poland and to ascertain, among other things, how far the economic questions contributed to the all-engulfing crisis that besieged and paralysed the entire social life in Poland in the recent past.

An important development within the reform mechanism was the policy of integration of enterprises into Big Economic Organisations (*Wielkich Organizacji Gospodarczych*, henceforth mentioned as BEO) as a response to stringent requirements of economic efficiency. The BEO plan, popularly known as the Gierek plan, met with a number of insurmountable difficulties, which led to its virtual abandonment in 1977. One author, in his comments, went as far as to say that the BEO plan started with "light" but faded into "darkness".¹ A careful analysis has therefore been attempted to identify the specific crisis points in this plan which might have been instrumental even partially in releasing the impulse in the society for the overall crisis.

Within a short time after the inception of the reform measures in 1968, circumstances in Poland prompted the leadership to think in terms of taking more stringent measures for ensuring greater efficiency in the production process for the whole economy. Even the three-year period of reform experiment (1968 to 1971) was sufficient to create doubts in the minds of people about the efficacy of pursuing the general objectives of the new economic system of management

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practised elsewhere, e.g. the USSR and some other eastern European countries. At the same time, the gap between the professed and the declared extent of self-management and the actual attainment was instrumental in unleashing a countrywide movement of the working class which led ultimately to the fall of Gomulka. A realisation dawned on the leadership on the morrow of the mass agitation that definite changes in the existing mechanism of economic management were called for. A commission was appointed which came to be known as *Szydlak Commission*. The Party directive of the Congress held in December 1971 to the Commission was to suggest means for "the improvement and modernisation of planning and management". The Commission recommended some drastic changes in the structure and rationale of functioning of economic organisations. Theoretically, a revision of the 'deterministic paradigm that was the guiding philosophy earlier was strongly recommended so that elements of innovation could have a greater role. In a sense, the recommendations were for replacing teleology by pragmatism. Thus was the new system born which came to be designated as the Fourth Reform Experiment in Poland in which the BEO plan came out as the most important feature.

The Basic Features of BEO Plan

In the new system the BEO became the most important economic organ. The form of the organisation was an association of nationalised undertakings, but in content it was envisaged to be an organisation qualitatively different from simply an association. This plan was launched in 1973 on an experimental basis for the purpose of fulfilling a number of objectives. (a) On the economic side it was held that BEO would introduce the required amount of economic efficiency by exploiting the economies of scale and (b) on the socio-economic side they would provide opportunities for real, autonomous functioning with the help of creative participation of the workers' collectives in management. It was believed that such a scale of operation would help in the improvement of the level of science and technology for utilisation in production and would ensure the appropriate extent of economic rationality needed for economic and social progress in the given circumstances.

Of course all the enterprises in the Polish economy were not immediately brought within the fold of the BEO scheme. The process of amalgamation of enterprises was phased out. A novel feature of the BEO plan was experimentation with 'pilot entities' (PE). On January 1, 1973, the BEO plan was inaugurated with 15 'pilot entities'. In the course of the next three years the number of PEs increased significantly.

An important change from the past practice was the reduction of plan directives from the centre to an absolute minimum. The entities used to be guided by two synthetic indicators: value added

and net profit. Along with it a novelty was introduced. Instead of setting a planned target it was decided that performance would be judged by the growth of the indicators over time. In simple terms, the two indicators used in Poland could be expressed as follows: Value added = (Sales less turnover tax plus price subsidies less material cost) and Net profit = (Sales less turnover tax plus price subsidies) less (total cost plus repayment of investment costs).

According to one author these indicators encouraged a "maximising" approach rather than a "satisfying" approach, meaning thereby that fulfilment of planned targets was not the only criterion of satisfactory progress.² It has to be mentioned that in this scheme the performance in the foreign market was given sufficient importance. Another interesting innovation was that in the new situation a large part of the investment fund of the entities was to be in the form of repayable bank credits with interest instead of coming from budgetary transfers as earlier.

The formula for the profit fund of the entities was as follows: $G=PQ-(C+V+T+aK+bW)$ where G =gross profit; PQ =value of the product sold; $C+V$ =cost of production; T =turnover tax, aK =charge on capital at 5 per cent and bW =tax on the wage fund.

The practice of transferring a part of the profit to a production development fund which constituted the entity's own investible fund and a material incentive fund remained as before, but there was no specific requirement as existed earlier for apportioning a part for a socio-cultural fund. On the other hand the formation of a research fund became compulsory for all entities.

The price model of the new system was not significantly different from that in the past although it was claimed to be so. In theory and practice it was nothing but a variant of the socialist production price model very much in use. The formula was: $P=C+r_1K+r_2W$, where P =price of production, C =cost of production, r_1K =the net income rate proportional to the value of productive fixed and material working assets (8%), r_2W =net income rate proportional to the value of wage fund.

The practice of price formation was based on the obligatory principle under central control but price was not an indicator in the strict sense of the term. The entities themselves had the freedom to fix the price but once it was mutually approved and fixed it acquired the characteristics of an obligatory indicator.

The main motivational initiative of both managerial and other working people depended on financial results, mainly in terms of net profit. This is not at all a change from the days prior to the BEO plan. But the larger size of the entity on the one hand and the greater degree of decentralisation on the other were advantageous for obtaining definite economic gains. Economies of scale also provided the necessary condition for the entities to be active

participants in international trade with non-socialist countries.

The launching of BEO in different branches and sectors went on in right earnest from 1973 to 1976 but the latter year also marked the beginning of the end of the Gierek plan. Although some modifications were introduced in the plan in 1977 to make it viable, the theoretical premise on which the entire plan was based lost its significance. As a result, from 1977 onwards this plan did not retain the innovative features of the immediate past. To understand this development a few words are necessary by way of explanation.

Necessity of the Gierek Plan

The Gierek plan was aimed at making a final break from the traditional system of planning which rested to a great extent on allocational directives. The market mechanism and micro-economic rationality played a very limited role in this scheme. Actually the first change in the traditional system came as early as 1956 and 1957 when Poland experienced a climate of political and intellectual effervescence. There was a call for both economic efficiency and decentralisation of decision-making so that workers' councils could be at the apex.³ Some reform measures were elaborated and implemented at that time both in socialised and non-socialised spheres, agriculture being predominant in the latter.

But in the 1960's it was realised that the changes did not provide any breakthrough because of the problems cropping up at the level of implementation. The main inconsistency in this period in Poland was the cleavage between the proclaimed principles of reform and the practice.⁴ Therefore, the reform measures that came into operation in the late 1960's had a two-fold objective. They were part of the general reform strategy accepted elsewhere as well. At the same time they were meant to be correctives. But even with the best of intentions of the leaders, most of these measures were characterised by piecemeal adjustments, superficiality and lack of popular support. In the case of Poland, as experience shows, the nature of response of the working people to economic measures has been an extremely important, if not the decisive, factor in achieving overall success in any plan. Therefore lack of popular support for the reform of the 1960's was a crucial pointer to the need for a re-examination of the whole economic policy frame. The mass movement of 1971 and the ouster of Gomulka have to be interpreted in this context.

As mentioned before, the BEO plan ceased to function from 1976 for all practical purposes. What were the reasons for such a setback in an ambitious plan? It has to be understood that this was an experiment in amalgamation and combination for evolving a qualitatively different organ of economic management. But the vast majority of economic organisations were the older ones which were designated as "non-reformed" organisations. It became difficult for

the planners to determine a unique criterion for assessing the performance of the new and the old organisations. Only the criterion of profitability was the most important for both. The planning structure did not undergo a substantial change although at the beginning of the Gierek plan the promise was otherwise.

Let us now dwell on some basic facts related to the plan. From 1969 to 1972 the plan targets in Poland were outstripped by achievements. In 1972 the rate of growth of national income was 10 per cent, twice as much as the plan target. In 1973 this became higher still. So the ambitious plan of the BEOs was born in this background. It was, as it were, a plan for a great leap forward. One of the important features of the BEO plan was that there was no indicator related to the wage fund which was obligatory to the entities. As a result, the management started to relate earnings to production and sale. With an industrial boom there was a rise in wages and living standards. But in spite of all this relaxation in the matter of management of entities, the level of decentralisation did not reach that of Hungary, not to speak of Yugoslavia.⁵

By the end of 1975 the BEOs accounted for 67 per cent of all industrial production in Poland.⁶ They went on investing more and more since investment depended on the size of the production development fund which went on increasing from year to year. At the same time wages were continuously on the increase. In spite of such an industrial boom, certain crucial problems cropped up between 1973 and 1976. The colossal rise in oil prices and the huge imports of components of machinery and plants for modern industrial branches made the foreign debt of Poland mount to six billion dollars. On the domestic scene, the fixed price of food items on the one hand, and higher incomes of the workers on the other created not only shortages of food but of many other consumer goods, including durables. To fight this imbalance, after much thought, the government announced an increase in the prices of meat, sugar and other commodities in 1976. Immediately there was a countrywide protest and action by the working class. The logic behind the price increases sanctioned by the Party was that the working people were in a position to spend much more on the necessities than they were doing in the past. An important indicator for this conclusion was the rate of increase of wages in BEOs.

In 1977, an attempt was made to modify the BEO system as a response to the condition of the economy. This change was effected through what came to be known as the "transformation principle", the main features of which were (a) control of wages and the market supply (during the operation of the original BEO plan it was observed that the market supply was either ahead of what could be cleared or considerably behind); (b) correct managerial framework (the BEOs were to evolve such a framework that the sectoral ministry would be

able to transfer the tasks of the national economic plans) and (c) fixation of prices (in spite of the reintroduction of the above two controls there was some relaxation in the area of price fixation). However, the elements of recentralisation in the modified BEO plan also came up with a number of hazards. The problem of shortages remained as before and at the same time no improvement was visible in the international market. On top of that, the extra rigidity imposed on management in 1977 was so contradictory to the practice before that overall efficiency was in peril.

Agriculture in Poland

An overwhelming share of agriculture in Poland is in private hands. Collectivisation on a massive scale did not succeed; or rather, there was never a determined effort by the government in this regard. A statement made by Gomulka in 1956 is very significant: "The road to setting up a vast network of cooperative farms in Poland's countryside is a long one. To plan the growth of collectivisation would amount to planning the growth in human consciousness and that cannot be planned."⁷

The proportion of agricultural farms in private hands has almost remained the same, i.e., 75 per cent, over time. The socialised sector comprises only 23.4 per cent today, of which the lion's share is enjoyed by state farming. Somehow, cooperative or collective farming has failed to emerge as a viable alternative to private farming.

Such an extent of private ownership in agriculture has been regarded as the root cause of structural backwardness by planners in Poland. Since such property relationship is considered unavoidable in the given situation, some planned measures have been introduced for increasing productivity and improving the level of technology. It was realised that one of the hindrances to improvement in private farming was the inadequate acreage of many farms. Therefore, the government formulated certain policies for increasing the size of farms. Credits are now available for the purchase of land. The government has a pool of surplus land and every year it releases 100,000 hectares for sale to the farmers. Another advantage of this measure is that the price of land in this case is 30-35 per cent cheaper than in the market. The government also leases out land, and by the middle of 1980 there were 500,000 hectares on lease to 300,000 farmers.⁸

But the situation was quite different in 1975. With the success of the BEO plan the Party and the planners were inclined to change the state policy towards private peasantry. In this period the transfer from the state pool to private farmers almost stopped. The leadership was even hoping that a change in the strategy of agricultural development through cooperation would not be that difficult. Also some

new restrictions were imposed on inheritance so that the emergence of larger 'capitalist' farms could be halted,⁹ although the reason for which the enlargement of farm sizes was necessary was strong even in 1975, i.e., the ageing of the agricultural population.

The mass agitation of 1976 however brought back the *status quo ante* in agriculture. Side by side, the migration of people from rural areas to urban industrial centres reduced the farming population to elders only. As a result, a great number of farms changed hands. Also, the sale of farms was not confined to any particular size—small, medium and big farms all entered the fray of transfer. Ironically, the problem of the economy in 1976 that raised questions regarding the efficacy of persisting with the BEO plan in its original form made the conditions propitious for larger sized private farming. Whereas the government reimposed control on BEOs, it relaxed it in agriculture.

To understand an aspect of the relations of production in the present-day Poland a few more words are necessary on the nature of migration from rural areas. In the process of migration a class known as "peasant-workers" came into existence with divided loyalty. They were agriculturists who opted for work in neighbouring industrial establishments as their main occupation while retaining farming as a subsidiary one. In economic literature in Poland it is known as "shuttle migration", giving rise to a large bi-occupational group. This migration took place regularly not only from the small farms but from middle-sized farms as well.¹⁰ It has been observed that "because of the objective development processes in the national economy as a whole, growing affluence and general proliferation of urban life styles, the rural population became increasingly conscious of its income inferiority. This promoted a search for additional earnings outside agriculture, the more so as rapidly developing industry, building, transport, etc. were in constant need for new manpower".¹¹

An important innovation in Polish agriculture was what is known as the "agricultural circle". It is a government sponsored association of private farmers who joined together in a local area for the improvement of farm operations with the help of a commonly held pool of agricultural machinery. The finance for this purpose comes from the Agricultural Development Fund controlled by the government. The formation of "agricultural circles" became widespread in the late 1950's, and within a decade 85.6 per cent of Poland's 39,908 smallest rural administrative units had established "agricultural circles".¹² This process went on in the 1970's as well and by the end of the decade most of the *Sołectwa*s (smallest rural units) were included in the programme. The leadership in Poland was quite emphatic in its assertion that when other socialist countries pursued their goals of collectivisation by coercion, they were experimenting with an indirect method for achieving a similar social goal. It is claimed, and rightly

so, that the phenomenon of increasing differentiation in agriculture expected in the existing relations of production, reminiscent of the NEP period in the Soviet Union, is totally absent in Poland.¹³

Economic Crisis and the Standard of Living

Let us now examine some data for recent years. The "meat price rise theory of crisis" is too naive and simplistic as an explanation although it might have acted as a matchstick to gunpowder. Looking at the performance of agriculture, it becomes quite clear that the situation in 1980 called for expedient measures.

TABLE I
GROSS AGRICULTURAL OUTPUT

Year	Annual percentage change		
	Total	Crop	Animal
1976	-1.1	5.0	-8.7
1977	1.4	-7.2	13.7
1978	4.1	5.4	2.6
1979	-1.5	-3.7	1.3
Plan 1980	5.8		
1980	-9.6	-15.2	-3.3

SOURCE: UNO, *Economic Survey of Europe in 1980*, p 92.

As later publicised in media all over the world, the Gierek plan (especially the BEO plan) failed because of defective planning, faulty coordination and economic miscalculation. The crisis of raw materials for industrial production was indeed an outcome of miscalculation. As is evident from Table I, the 1979 performance was itself bad, but that of 1980 was worse, more so when we consider that to get round the difficulties of the previous year, the annual plan of 1980 envisaged a growth rate of 5.8 per cent. The actual achievement however was dismal.

In spite of this and the fact that prices of a few essential food articles, notably meat and poultry, had to be forced up to bring in a balance between supply and demand, the trend of consumer price for the 1976-1980 plan period reveals an interesting picture (Table II)

TABLE II
CONSUMER PRICE INDEX (preceding year = 100)

Year	Total	Food	Non-food	Services
1976	104.4	104.6	106.0	103.2
1977	104.9	107.4	104.7	104.8
1978	108.1	107.4	107.3	103.9
1979	107.0	107.4	105.9	106.9
Plan 1980	105.0	—	—	—
1980	110.0	114.0	106.0	106.0

SOURCE: UNO, *Economic Survey of Europe in 1980*, p 161.

A sudden and considerable increase in food prices in 1980 was a cause indeed for concern and dissatisfaction but the problem was further aggravated by shortages in the market of essential commodities. Apart from shortfalls in production, another important cause for inadequate supply in the home market could be traced to the country's desperate effort to maintain the flow of exports to the West, including food items, for containing the trade deficit. Surprisingly, if the level of wages alone is considered in isolation, its increase over time was sufficient to offset the price hikes. The growth of monthly nominal wages in Poland (annual percentage changes) was as follows: 1976 — 8.8, 1977 — 7.3; 1978 — 6.1; 1979 — 8.7; Plan 1980 — 6.6, and actual 1980 — 12.8.¹⁴ Assuming that there is one annual plan lag between the price rise of wage goods and the corresponding adjustment of wages, the 12.8 per cent wage increase of 1980 was much more than the planned figure as an offsetting mechanism. The price rise of 1979 may well have been instrumental to a large extent in releasing a chain reaction in 1980. Table III gives the trends of real income and real wages during the plan period 1976-1980

TABLE III
PERCENTAGE CHANGES IN REAL INCOME AND REAL WAGES

Year	Real income per head	Real wage per wage earner
1976	5.7	3.9
1977	5.3	2.3
1978	0.4	-2.7
1979	2.4	2.0
Plan 1980	1.0-1.3	1.0
1980	0.5	2.5

SOURCE: UNO, *Economic Survey of Europe in 1980*, p 157.

In this connection an observation of the U. N. *Economic Survey of Europe* is very significant: "Taking into account a marked decline in NMP in Poland the 0.5% rate of growth of real income reflects the high priority given to maintaining the standard of living in that country. Similarly, the decline in NMP recorded in the preceding year did not prevent 2.4% growth of real income though this appears to have been confined to the non-agricultural workforce."¹⁵ This erosion of purchasing power of the agricultural population was responsible for their agitation and the formation of rural *Solidarnosc*. General Jaruzelski gave a number of concessions to the farmers (February 19, 1981), including the right to private ownership of land as a constitutional right. In a strange admixture of ideals, the working class Solidarity fought for self-management socialism whereas its agricultural counterpart struggled for a consolidation of private ownership, that is, for non-socialist relations in agricultural

production. It has to be emphasised that the economic situation in Poland in the early 1980's by itself did not warrant such an improvement of the level of living of the population. But the desperate situation demanded desperate measures. "On the eve of the Eighth Congress of the PUWP in February 1980, Central Statistical Bureau published a candid and frightening set of figures that revealed that national income had actually fallen by 2% in 1979, agricultural production had fallen by a few percentage points and principal industrial output was showing a 'negative growth' for the year of nearly 5%. From experiencing one of the highest growth rates in the world, Poland had become a stagnating economy in only five years."¹⁶

It may be recalled that one of the principal objectives of the Gierek plan was to equip the Polish economy for better performance in the non-rouble international market. But whereas some other East European countries had trade surpluses in the 1976-1980 plan, the situation was quite the opposite in Poland. For the years 1976, 1979 and 1980, the deficits stood at 1.9, 1.3 and 1.8 billion dollars respectively. Although the plan had called for concerted efforts to reduce the deficit in the plan period, Poland experienced extreme supply difficulties for running the industries, on which a lot has been written even outside Poland. To circumvent this supply bottleneck the country resorted to new borrowings. As a consequence, Poland's indebtedness to the West mounted to 27 billion dollars.

The dismal nature of the economic scene in Poland in early 1980 is obvious. But all economic crises, even of the order that Poland faced, do not lead to an all-encompassing social crisis of such magnitude as Western ideologues of "anti-socialism" were ready to see the "*socialist integument burst asunder*". With a more desperate situation in Yugoslavia, with a rate of inflation of about 50 per cent, the highest in Europe, with more than 16 per cent unemployment, with the number of emigre workers exceeding a million and with foreign debt mounting to more than 18 billion dollars, which on a per capita basis exceeds that of Poland,¹⁷ the outside world maintains what can be called a "consensus of silence." One Western scholar rejects the thesis that the economic crisis was due to mistakes, incompetence and economic miscalculation of planners and the leadership. At the same time he does not hold Solidarity also responsible for contributing to a large extent for transforming the crisis into a catastrophe; rather he identifies the institutional structure as being responsible because it cannot ensure sufficient economic efficiency.¹⁸ This is reductionism *par excellence*.

The Basic Demands in the Agitation

Solidarity became the symbol of independence, freedom and social democratic ideas in the course of a few months after a very modest beginning as an Inter-Factory Strike Committee (MKS). The

strike at the Gdansk shipyard and subsequent developments leading to the acceptance by the government of economic demands like increase of wages by 2000 zlotys, better social security benefits etc. and even political demands like freedom of speech, withdrawal of censorship regulations, etc., clearly demonstrated that the confrontation was not for economic reasons alone. When the 16-point charter was discussed some of the political demands in it were not for the region alone but for the country as a whole. From Gdansk we move to Szczecin and the story repeats itself. An interesting feature of the documents signed both at Gdansk and Szczecin between workers' representatives and the government is that the socialist character of the state and the society were never questioned; rather an unequivocal allegiance to socialism by all excepting a few militant supporters of the New Poland Movement was a special feature. At the same time, the demand for an independent and free trade union was an attempt to break away from the tutelage of the Party and the bureaucracy in matters that affect vitally the interest of the working class. A statement in the Solidarity strike bulletin number 8, dated August 28, 1980, is quite specific on this point. It states: "Our demands are designed neither to put in question the foundations of the socialist regime in our country, nor its position in international relations, and we support no one who wants to exploit the present circumstances with this aim; on the country we would oppose them."

The realisation by the workers that their collective efforts and intentions used to be kept aside or rather ignored by the Party and the leadership in economic and social matters was instrumental in the voicing of their dissatisfaction through the mass movement. A careful study of a few Solidarity documents reveals clearly the nature of disenchantment and the extent of alienation of the working people in Polish society, especially in relation to the management of the economy. In the words of Solidarity, a "hierarchical-byzantinism" became the philosophy of economic management, with voluntarism, shallowness, incompetence and lack of imagination of the men in power as its main elements.¹⁹

In spite of repeated proclamations of workers' self-management at different points of time, ultimately the directive nature of economic management remained intact, keeping the economic subjects, i. e., the workers, in darkness about the actual shape of things. As a result, in practice, very little room was left for the introduction of the self-management type of socialism for which the Polish working class had been striving for a long time. Article 13 of the Polish constitution, by which the right of workers' self-management has been sanctioned by the nation, was, Solidarity documents repeatedly allege, kept in cold storage. A Solidarity document brought a specific charge that when the BEO plan failed in 1976 in its original version and some changes were introduced, an important decision was taken to scrap

1000 projects of all sizes. But at no stage, it is alleged in the document, were workers' collectives in different spheres of production informed about it. Nor were they aware of the particular projects that were to be abandoned. As a result both management and other workers of many of the enterprises were kept hanging on the cliff of uncertainty.

Solidarity literature not only criticised bluntly the existing system of functioning of the economy but also presented a blue print of an economic reform, although in the form of a set of demands. Here also the recommendations were quite clear: the state apparatus must step aside with all its organs and instruments of enforcement, including the Party and the official trade unions, so that the workers' collective gets a genuine chance to participate effectively in purposive economic actions. A categorical demand in one such document states: "Organs of self-management in their activities should be independent of the state organs, social and political organisations and association."²⁰ Elsewhere it is stipulated that all the decisions regarding management of enterprises have to be arrived at by the general meeting of the workers of the entire factory or of the sections concerned.²¹ According to Krawczyk, all the affairs of the society have to be managed by the society and not by a small group of people who inhale the "air at the top" and do not have the competence to understand the real issues.²² Other Solidarity statements are also equally emphatic on this point.²³

These demands are neither economic nor political *per se*; then why did they become so prominent? If we assume that all these actions were not simply due to provocations of anti-socialist elements there is only one clear answer, that is, even four reform experiments could not satisfy to a sufficient degree the self-management aspirations of the working people.

A point has to be made very clear in the context of the demands of Solidarity. The type of self-management by workers' collectives envisaged by Solidarity is a prototype of 'syndicalist' aspirations which includes a total break from any form of involvement of the state in economic and social matters. This is definitely an extreme position which even a bourgeois state with its high-sounding claims of freedom will not tolerate, not to speak of any socialist government, where the necessity of intervention is deeper and wider.

On the other hand, the charge of '*hierarchical-byzantinism*', which means that the system of management of economy and society pursues a path which only strengthens a hierarchical structure of state apparatus and that to consolidate such a structure, innovations and profound changes are ruled out, is not without substance. The question of devolution of political and economic powers has been the focal point around which the crisis situations developed and tensions mounted in the past, e.g., in 1956, 1964, 1968, 1971, 1977 and in 1980.

In every case the contradiction between decentralisation and directive nature of management became very much pronounced.

Praxiology and Human Action in Socialism

To understand the complex situation in Poland better or to make a *demarche* in this regard, a meandering through the path of theory of socialism and the problems of *praxis* in historical perspective is very much needed. The basic postulate of a socialist economic theory is that it is a guide to purposive human action. Such an economic science is founded on praxiological principles. But this is not unique in the case of socialism. In every phase of economic development the principles of purposive human action have to come to the fore. According to one eminent Polish theoretician, the difference between the teleology of the past and that of socialism is between conscious direction of human action by the actors themselves and its absence in the past.²⁴

But it has to be understood that the praxiological principle of conscious shaping of actions entails the realisation of aspirations of the collective not as the resultant of individual aspirations but as the reflection of collective desire. In the absence of this condition, consciousness becomes a heterogeneous ensemble of disparate cravings which is neither an ideal condition nor one which can be satisfied as a whole. Looking back into the conditions of Poland it becomes quite clear that national economic planning was overburdened with allocative functions and neglected the problems connected with societal values. As a consequence, as Pajestka declares, the development of a socialist man could not take place.²⁵

From a theoretical point of view, a distinction is often made between 'economic rationality' and 'socio-economic rationality'. But this distinction becomes somewhat less precise in the framework of socialist relations of production since the praxiological principle of conscious shaping of actions cannot by definition leave out of cognizance the creative role of economic subjects, i. e., the workers' collectives. Also the spirit of creativity entails freedom from compulsion upto the degree desired. A single-minded pursuit of 'economic rationality' without due regard to 'socio-economic rationality' would create contradiction between the two types of rationality which under these conditions would not only jeopardise the prospects of economic rationality itself but even find expression in hostility between different groups of people, notwithstanding the socialist nature of the society, as happen in Poland.

Experience amply demonstrates that there has been a consistent effort to strengthen economic rationality in Poland for macro-social gains. For the workers' collective there was only a marginal relaxation of central control although the general idea was of a greater degree of decentralisation. In the ultimate analysis, enforcement is

an element in fulfilling the centrally directed tasks. But at the same time such an action goes against the principle of self-management, because the act of enforcement precludes the luxury of liberalism.

There is no doubt that when compulsion is a measure for fulfilment of tasks, a power elite tends to consolidate its authority. In the process, in spite of change of characters of this elite group over a period of time, it has a chance of being transformed into a new entity which, as it were, stands above society, transcending the contradictions in socialism. From the point of view of socio-economic rationality this position is almost similar to the characterisation of the state by Hegel.²⁶ As a result, strong elements of voluntarism creep in and reality becomes what it is not; and hence the seemingly irreconcilable contradiction. From a scientific point of view, reality cannot be 'created' as something which suits certain methodological premises.

Base-Superstructure Nexus and Socialism

This question is closely linked to the relationship between the base and the superstructure, a relationship that eluded the attention of the leadership to a sufficient degree in Poland. This is not a problem of Poland alone. Reform measures were brought into the economic mechanism time and again in socialist countries. The consistent and continuous efforts to inject grains of rationality into the base have been due to dictates of circumstances and demands of efficiency. The crucial point however is, who would judge the requirements of the circumstances; and even if it is correct from a technocratic point of view, measures envisaged for conforming to the requirements are not devoid of the scope of human participation. Rather this participation could be creative if and only if the collective is inclined of its own accord to conscious interaction.

A part of the answer to the Polish question therefore could be found in the contradiction between the base and the superstructure. The theory and practice of socialism in Poland and also elsewhere show that there is a strong assumption in these countries that if the base could be made more and more rational the superstructure as its extension with its political, social, cultural and juridical dimensions has to be or is rather likely to be rational as well. This is an extremely linear and an incorrect view of the important relationship. The glaring mistake of this position is that it considers the economic base as something detached from the base-superstructure nexus, hence from a dialectical unity. As a result, the striving for economic efficiency in Poland did not go hand in hand with the reform of the superstructure. This is true of a number of other socialist countries as well.

However, the struggle for a reform of the superstructure does not in any case provide room for the creation of anarchy in a socialist

society. There is not the slightest doubt that the unending strikes in Poland that paralysed the economy and brought it to the brink of collapse in 1981 was a source of great satisfaction to the developed capitalist countries because of the hope of a destruction of a bastion of socialist stronghold. The choice of Lech Walesa by the *Time* magazine as the "Man of the Year" is not a reflection of its sympathy for the genuine demands of the working people of Poland but an instigation for the forces of destabilisation. Also, it was an expression of *Schadenfreude*. There cannot be any dispute over the contention that when the struggle of the working class started in 1980, it was a manifestation of its genuine aspiration. But when 1981 came, the blind nature of the struggle could achieve only one thing, that is, destruction of the social framework. The imposition of martial law was thus an extreme reaction to this extreme position. In the final analysis neither is at all desirable.

Concluding Remark

In the socialist system today there is an imperative need for understanding the nature and extent of the contradiction in view. This is all the more important for Poland with the working class, the church and private farmers as the principal social forces there within the framework of socialist relations of production. An important factor for the emergence of the contradiction is reliance on voluntarism to such an extent that it oversteps the historically given conditions. China also provides a clear example of unbounded application of this voluntarism. The 'Great Proletarian Cultural Revolution' was an attempt to revolutionise the superstructure on the assumption that when completed, the base would automatically respond to the success of the superstructure. Again, a linear view brought unhappy results. Today, perhaps in China, it is happening the other way round. Therefore the question is: what would be the best mechanism for resolving the contradiction with the minimum social cost? It is high time that the theoreticians and practitioners of socialism made a beginning in their endeavour in the right direction; otherwise the final resolution of the contradiction might be contra-historical.

- 1 Jan Mujzel. "System funkcjonowania gospodarki: problemy jego dalszej ewolucji w Polsce" (System of the functioning of the economy: problems of its long-run evolution in Poland), *Ekonomista* (Warsaw), 1/1980, p 10.
- 2 NATO Economic Directorate, *Economic Reform in Eastern Europe and Prospects for 1980s*, Pergamon Press, 1980, p 107.
- 3 Mujzel, *op cit*, p 10.
- 4 *Ibid*.
- 5 Mujzel (*op cit*, p 13) argues that the BEOs' main weakness was the lack of substantial decentralisation of authority.
- 6 Neal Ascherson, *The Polish August*, Penguin, 1981, p 109.
- 7 A. F. and J. F. Adams, *Man versus Systems*, New York, p 106.

- 8 *Polish Perspective*, October 1980, p 27.
- 9 Ascherson, *op cit*, p 110.
- 10 *Polish Perspective*, July-August 1979, p 26,
- 11 *Ibid*, p 27.
- 12 Adams, *op cit*, p 113.
- 13 *Ibid*, p 119.
- 14 UNO, *Economic Survey of Europe in 1980*, p 158.
- 15 *Ibid*, p 156.
- 16 Ascherson, *op cit*, p 117.
- 17 *The Economist*, London, August 1, 1981, p 52.
- 18 Z. M. Fallenbuchl, "Poland's Economic Crisis", *Problems of Communism*, March-April 1982, pp 2-3.
- 19 R. Krawczyk, *Propozycje reform i rzeczywistosc* (Reform proposals and reality), p 2.
- 20 *Ustawa o samorządzie załogi przedsiębiorstwa państwowego* (Law on workers' self-management in nationalised enterprises, 1981), article 1(3).
- 21 *Ibid*, see article 2 (1).
- 22 *Op cit*, p 5.
- 23 See for example, *Strajkowy Biuletyn Solidarnosc* (Solidarity Strike Bulletin), August 28, 1980.
- 24 J. Pajestka "Perspectives in Planning", paper presented at the conference on "Review of Indian Planning Process" at ISI, Calcutta, p 6.
- 55 *Ibid*, p 10.
- 26 *Ibid*, p 13.

NOTES

Forty Years of the Yen'an Talks

FORTY years ago, from May 2 to May 23, Mao Zedong spoke on Art and Literature at Yen'an. The talks are one of the major documents of a socialist position on arts. The fact that they were delivered right at the time when Japanese guns were thundering all over China and the Chinese Communists were fighting both Japanese Imperialism and the Kuomintang betrayal makes them a remarkable document. It underlines that arts were very much a part of the battle that Mao and his colleagues were fighting and that theories of the arts are very much a part of a people's existence, their victories and defeats, their survival and their death. Art is not something precious recapitulated "in tranquility".

China celebrated recently the fortieth anniversary of these talks. Major Chinese newspapers and journals carried articles on the famous Yen'an talks. To begin with, the spate of articles demonstrated that Mao, the maker of the Chinese revolution, has not been and cannot be forgotten. The creative element in his thinking and the wide scope of his thought are just too phenomenal to be ignored by any detractor of Mao and the Chinese revolution. No doubt there is considerable controversy over the Maoist heritage, especially of the last decade of his life. Indeed, writing on the occasion of the fortieth anniversary, the *People's Daily*, in its commentary, stated that while it was true that his (Mao's) thoughts on Literature and Art as also his other theories had at times overstepped the limits of history, especially during the last decade, there were several valuable and correct formulations in them. The commentary published on May 23, 1982, chose three thoughts of Mao as of special significance. The one was a quote from his writing of 1957 on the correct handling of contradictions, namely, "letting a hundred flowers blossom and a hundred schools of thought contend is the policy for promoting the progress of the arts and the sciences and a flourishing socialist culture in our land". Let a hundred flowers blossom, let a hundred schools of thought contend; for short: a quote which had become almost a catch phrase in 1956-57 in China. The second is his comment that "the past should be made to serve the present and the foreign to serve China" (i. e.

the Chinese people). The third relates to Mao's emphasis on continuity (present writer's, not the *People's Daily's* view): "The new arises out of the old". It is formulations like these, the present leadership would like us to believe, that one must cling to. In fact, the commentary talks of two tasks: one is to hold on to some "correct" formulations and the other is to further develop the Yenan approach.

How does one further develop Mao Zedong's ideas? The *People's Daily* gives us to understand in its commentary that this development has to follow the line given by the slogan popular since the third plenum (December 1978), namely, that art and literature have to serve the cause of socialism. The commentary itself does not quite elaborate on how one goes about doing it. Nor does it say how one "develops further" Mao Zedong's views on the question of Art and Literature.

It may seem strange but nowhere does the commentary go into the question of what Mao Zedong called the "political criterion" and the "artistic criterion". The one does not replace the other, nor does one make the other redundant. Wherein lies the distinction between the two? If bourgeois critics ignore the former, quite often the socialists ignore the latter. There are some interesting formulations in the talks on the subject, but the commentary does not go into these matters although it says that "further development" of a Maoist view is necessary.

It is quite interesting to note that a writer from Gwangzhon (Canton), commented that Mao's call that art and literature should serve the workers, the peasants and the soldiers is being *presently* broadened to include the entire people.¹ This formulation is strange inasmuch as Mao Zedong himself had said so in the statement On-Yang Shan is commenting upon. Mao Zedong had said:

All our literature and art are for the masses of the people, and in the first place, for the workers, peasants and soldiers; they are created for the workers, peasants and soldiers and are for their use.²

Obviously Mao Zedong was talking of the tasks of literature and arts with a war on his hand. The perspectives of a victorious revolution are bound to be broad. They must work towards a climate in which, as Mao Zedong pointed out, "literature and art are for the masses of the people". The essential point which should have been but is nowhere made explicit by On-Yang Shan is that not only the objectives of art or the criteria of art but also the reception of art is subject to material conditions in which it is produced and received.

As part of the fortieth anniversary celebrations the Union of writers and artists and the Institute of Literature of the Academy of Sciences organised several functions. The most notable of these was a month and a half long workshop for writers and artists.

Speaking in this workshop Zhou Yang made the point that the Yen-an talks were (and presumably are still being) quoted only for propagandistic use. There has been no attempt so far to place the Yen-an talks in a historical perspective and certainly no critical appraisal of the talks has been done.

The 'Maoists' may well cite this as an attempt to revise Mao. We do not know. But it is no doubt true that while the Yen-an talks have been oft quoted, there has scarcely been any serious writing on the Yen-an talks. After all, they were delivered during the time when the Chinese Communists, to cite Mao's quotation from Lu Xun in the Yen-an talks themselves, "fierce-browed...coolly defied a thousand pointing figures". Yen-an talks were a part of their equipment. It was time somebody looked at them at the level of theory and placed them in the right historical perspective.

If this is what Zhou Yang had in mind, he could not have uttered more appropriate words on the fortieth anniversary of the Yen-an talks on art and literature.

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1 On-Yang Shan, in *Red Flag*, 1982-Nolo.

2 Mao Zedong, "Yen-an Talks", in *Selected Works*, Vol III, p 84.

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Social Democracy and the Capitalist Crisis: Mitterrand's New Austerity Drive

IN the third week of June, barely a year after President Mitterrand had come to power and days after he had announced his blue print for recovery, at Versailles, France's Socialist Government opted out of its strategy of reflationary expansion. The event marked the unsuccessful culmination of what was undoubtedly a bold experiment at combating recession and unemployment through Keynesian deficit spending and consumer-led expansion, in a world where most capitalist countries were pursuing contractionary monetarist policies. Ever since they took office the Socialists had made the task of reducing unemployment their central objective. With this end in view, the government had resorted to a massive expansion in public spending, a 20 per cent pay rise for two million low paid workers, and an initial one hour reduction in a 40-hour working week.

This reflationary package was part of an overall strategy to retrieve France from its state of crisis. The point of departure of that strategy was the view that the persistence of the crisis was not a result of the anarchy of capitalism as a system, but pursuit of incorrect monetarist policies. As one of President Mitterrand's advisers is reported to have put it: "The monetarist theory that prefers breaking inflation through recession is absurd. It never worked. You can beat inflation only by productivity." In fact, 'expansion' and 'productivity' are key words in the Socialist programme. Expansionist policies were to prove non-inflationary by goading industry along productive lines. To the extent that the private sector could not be relied upon to do this, nationalisation was a weapon. This could, to start with, ensure a cut in investment abroad, which had grown at the expense of greater investment at home. Further, since it was the larger industrial groups that were to be brought under government control, one could expect that the government's share in some of the most productive industries would increase. As per plan, the state's share was to increase from nothing to 60 per cent in electronics and information processing, from zero to 75 per cent in synthetic fibres, 1 to 79 per cent in iron and steel, from 16 to 52 per cent in basic chemicals and from 58 to 74 per cent in armaments. This sharp increase in the state's share in key areas was to be accompanied by massive spending on research in fields such as bio-technology, electronics and micro-chip technology, with the aim of increasing such expenditure to a total of 15 billion dollars or 2.5 per cent of

GNP. In practice, this attempt to make a break for technological superiority dovetailed with the policy of nationalisation, since the large firms that were to be taken over dominated areas like electronics. And if successful, the strategy could make France an European Japan with a socialist face.

Despite the vision that it implied, there remained two major obstacles to the strategy. Firstly, even within the country a lot depended on the private sector that controlled a significant chunk of the economic activity in the agricultural and industrial sectors. Nationalisation was no doubt a positive step forward, but to the extent that it was partial and related to the objective of raising productivity, it left the fundamental operation of the system to be determined by the anarchy of market forces. Though efforts are being made to restore the *dirigiste* system of planning that had collapsed under President Giscard D'Estaing, the fact remains that indicative planning is by no means equivalent to the domination of the planning principle. The net result was that a significant section of French industry, which has been experiencing a recession since the mid-1970's, has not responded to the social democratic message. Since there has been no overall recovery that could have expanded existing markets and generated new ones, investment in the private sector which declined by 7 per cent in 1981 is not expected to fall any less this year. As a consequence, unit labour costs in manufacturing in France and West Germany (France's major trading partner) have widened over time. In 1980 and 1981 while unit costs increased by 25 per cent in the French manufacturing industry, the comparable figure for West Germany stood at 12.3 per cent.

The second (though related) problem faced by the socialist programme stems from the fact that, while it opts to remain within the capitalist system, it simultaneously goes against the severely contractionary spirit that prevails in the other crisis-ridden capitalist countries. Most of these countries are, in fact, attempting to reduce the impact of the crisis that plagues them by protecting their own markets and, through contractionary policies and high interest rates, their balance of payments, while pursuing a more aggressive strategy abroad. In this atmosphere of intensified inter-imperialist rivalry, the expansionary strategy being pursued by France provides its competitors the opportunity to score without having to make any moves. And that precisely has been the experience.

The massive expansion in public expenditure undertaken by the new government reflected itself in a burgeoning fiscal deficit that stood at 81 billion francs in 1981, as compared to the conservative 29.5 billion francs accepted by the previous regime. Starting with this huge deficit, public expenditure rose by 21 per cent in 1982, implying a deficit forecast of 95 billion francs, which was expected to reach 120 billion francs (about 4.5 per cent of GNP) in 1983. Together with the

wage increase paid out to get the expansion under way, these huge deficits have resulted in runaway inflation. The inflation rate in France has crossed 14 per cent a year, at a time when contractionary policies have slowed down inflation in most other countries. Inflation in West Germany, for example, is about a third of that in France. The net result is that the French market which the Socialists in their nationalist turn of phrase had planned to 'recapture', has become an easy target for foreign manufacturers. The inevitable has happened. France's trade deficit during September 1981 to February 1982 stood at 40 billion francs, twice that during the previous six months. The 1982 deficit is expected to be higher than last year's 60 billion francs despite the devaluation of the franc by 8 per cent in October 1981. And while President Mitterrand was preparing his blue print for recovery to be presented at the Versailles summit, the franc was taking a beating on foreign exchange markets. Even a sharp hike in French interest rates, a policy that the Socialists abhor, could not lift the franc from the low levels it had reached, vis-a-vis the dollar, forcing the government to devalue the franc by 10 per cent in the second week of June, and declare an austerity package a week later.

The austerity package announced by President Mitterrand includes a four-month freeze on prices and wages (to be followed by an agreement between the unions and industry to keep both in check) and a possible 20 billion franc cut in public expenditure. Clearly, under capitalist conditions, a prices and incomes policy involves a decline in the living standards of the workers. In fact, in this case, wage earners will also be adversely affected by the government's decision to cut the estimated 40 billion franc deficit in the social security system's account. They will have to accept smaller increases in benefits and share the burden of heavier contributions. All this ostensibly will help limit the deficit to a proposed 3 per cent of GDP, and halve the current inflation rate during the rest of 1982, so as to bring down the annual rate to 10 per cent.

What is going to make Mitterrand's attempt at implementing this package difficult is the fact that efforts at expansion have yielded little so far. Domestic growth is now projected at 2.2 per cent for 1982 as against the earlier target of more than 3 per cent. Unemployment has continuously increased after Mitterrand came to power and is expected to touch 2.1 million (8.9 per cent of the labour force) by the end of the year. And runaway inflation has always posed a threat to real incomes. This performance has already begun to tell on the Left government's social support. Besides the victory of the conservatives in the bye-elections to four seats in the general assembly held in January this year, they also scored electoral successes in 58 out of 93 of the departmental assemblies in the cantonal elections. And the current wage freeze is bringing the government into direct conflict with what it hoped would be its main social base—the French working

class. This loss in social support, which, according to recent polls is still to affect Mitterrand himself, marks the failure of France's social democratic experiment after 23 years of conservative rule.

To the interested observer what the French experience once again underlines is the poverty of social democracy. Repeatedly social democrats all over the world have come up with 'programmes for survival' and 'blue prints for recovery' that have as their basic premise the belief that capitalism can be crisis-free so long as correct policies are pursued. In this case the correct policy was an effort to 'Japanize' France. The current international economic crisis, the Socialists believe, is no indication of the weakness or failure of capitalism as a system, but merely the product of a shift in the focus of growth from the Atlantic to the Pacific. Europe is no doubt decadent, but it could regain its post-war vigour if only efforts could be made to replicate the Japanese experience there. But reality has proved too slippery for the minds that want to remould it. Not only have efforts at expansion run aground in the mire of inter-imperialist rivalry, but in fact promises of expansion have given way to exhortations to the working class to accept a cut in living standards that they had not bargained for when they voted the Socialists to power.

What emerges from the experience is that the Socialist programme was not really a blue print for recovery, but had in fact relied on an upturn in world economic activity to sustain the boom that it expected to set afoot through its expansionist programme. Recovery was a premise rather than the goal. In the event that such optimism has not tallied with reality, the current reversal of policy was to be expected. But what has made matters worse is that social-democratic optimism did not even permit the French to consider the implications of launching on Keynesian policies in a situation where all other countries have opted for tight-money contractionary regimes. All of them no doubt agree that capitalism works, but the monetarists are convinced that the workers must pay to make it work. The social democrats not only believe that it works; they in fact expect it to serve the people.

C. P. C.

OPEC : The Organisation that Slowly Dissolved Away

THE Vienna meeting of OPEC (Organisation of Petroleum Exporting Countries) held in the second week of July this year, was the latest one of a long series of confabulations, spanning the last year-and-a-half, seeking a way out of the current crisis—a glut of oil and continually weakening spot prices. That the July round proved abortive is not unexpected, considering the ineffectual nature of the earlier meetings. What marks the July round as a landmark in OPEC history is that as of July 10, 1982, the *raison d'être* of OPEC—joint price fixation—was put into cold storage.

OPEC was a business arrangement; as long as it brought in rich hard currency dividends, it was convenient to bestow on the organisation qualities other than commercial as well. The Arabs who comprise the principal and most vocal section within OPEC, found in the organisation, not only an instrument to rake in dollars, but also a vehicle for their political apotheosis. The image of the Middle East potentates delivering a body blow to the West was greatly fostered by the Western media which credited the Arabs with the homegrown recession of the Western economies. The Arabs, in their turn, with oral support for Palestine and trickles of aid to select underdeveloped countries, bolstered this image in a bid to enhance their political standing in the Third World. This obscured the essential nature of OPEC and drove into the background the sea differences which existed in the situations and aspirations of the different member-countries of OPEC—Saudi Arabia and the Sheikdoms at the one end of the spectrum, Nigeria, Indonesia and Venezuela, at the other. The swollen stream of hard currency oil revenue which flowed into OPEC countries since 1973, and the different uses this revenue was put to, further exacerbated these differences. When such dissimilar partners enter into a cartel agreement, it requires an overriding compulsion for not breaking ranks. In fair weather, OPEC flourished, but it has proved itself unable to withstand the strains of adverse circumstances.

Between mid-1977 and early 1979, OPEC prices were steady. The price of Saudi light crude was 12.7 dollars per barrel. Subsequent hikes raised the price of Saudi light to 28 dollars per barrel in June 1980 and 32 dollars per barrel in December 1980. Since, from 1979 onwards, Saudi Arabia broke away from exactly applying OPEC price escalations on their own crude, the price increases of other crudes were

more than that of Saudi light. At the end of 1980, the official prices of better quality North African and Iranian crudes ranged between 36 and 38 dollars per barrel; spot prices were as high as 40 dollars per barrel.

However, a combination of increased production in non-OPEC countries, reduced consumption levels in the industrialised countries and the global recessionary trends made the 60 per cent price hike during 1980 impossible for the market to absorb.

The relative price stability during 1979 and expectations of OPEC price hikes in 1980, led to the building up of record inventories in the industrialised countries by the end of 1979. During the first half of 1980, spot prices which, since 1978, had been higher than the official prices, declined. Further weakening of spot prices was halted by the start of hostilities between Iran and Iraq in September 1980. Prices recovered temporarily. By early 1981, as other OPEC countries raised production to compensate for the loss of Iranian and Iraqi oil, all the signs of a glut were evident. The premium for spot prices disappeared. OPEC tried to bolster their sagging prices by cutting back production. By the end of 1981, OPEC output of crude was down to 20 million barrels per day, as compared to 31 million barrels per day in 1979. Saudi light sailed along through 1979, with a spot price of 32 dollars per barrel—two dollars below the official price—while other crudes fell to 34 dollars per barrel.

In March 1982, OPEC agreed on a 4 per cent cut-back in production to 17.5 million barrels per day and a 3 per cent cut in prices, which brought the highest priced crudes to 35.50 dollars per barrel. A temporary recovery raised the price of Saudi light from a low of 28.50 dollars per barrel on April 2, 1982, to just under 34 dollars per barrel on May 14, 1982. However, the recovery was short-lived. The spot price of Saudi light fell from 33 dollars per barrel on June 18 to 32 dollars per barrel on July 2, 1982. Following the ill-fated OPEC meeting on July 10, prices have weakened further, Saudi light standing at between 31.5 and 31.7 dollars per barrel. But the volume of transactions is low as market expectations of further price weakening run high.

The present state of the international petroleum market stems from the developments that have taken place in the industrialised world—the main export market—in the strategy of the oil multinationals, and in the changing economic situation internationally.

The period after 1973 saw a flurry of exploratory activity, especially off-shore. The oil MNCs (multinational corporations), having lost their oil fields in the Middle East and elsewhere in the OPEC world, were rapidly bidding for the development of new sources. The massive profits that the oil companies had made in the earlier period permitted them to go in for huge increases in capital expenditure. Western governments—especially those of West Europe,

Canada, Australia and New Zealand—who were keen on reducing their dependence on oil imports, readily provided the requisite backing—financial, legislative and fiscal. Further, the inflationary aftermath of 1973 generated massive funds of liquid capital, which, together with recycled petro-dollars, provided abundant credit to the energy companies: energy was and continues to be the triple-A investment. Underdeveloped countries, desperately trying to reduce the burden of oil imports, also embarked upon programmes to raise their oil potential. Most of these countries who lacked the requisite industrial/technical base welcomed the oil MNCs, while a few, notably Mexico and India, embarked on their own exploration and development programmes through their state-owned companies.

As a consequence, three new major oil provinces were brought into production, namely, the North Sea, the Alaskan Slope and the Mexican off-shore. The output from these areas, together with enhanced production from older fields outside OPEC and new production from a host of newly-developed fields, greatly raised the level of non-OPEC production. Although a portion of the production from these fields was not traded internationally (e. g., Bombay High), to the extent that it replaced OPEC exports, it contributed towards the reduction of OPEC's share of the capitalist world's oil consumption. Further, since production from all the major new oil producing areas—including US domestic production, following Reagan's partial decontrol of oil and gas prices—was in some manner or the other tied to the price of OPEC crude, the latter's price hikes had a much larger impact on the average price of oil consumed in the capitalist world than the declining share of OPEC's production warranted.

The continually rising prices of oil caused a slowdown in the rate of growth of consumption in the principal consuming regions—Western Europe, Japan and North America. A combination of improved efficiency in oil-burning processes, a certain amount of switching over to coal (most marked in the case of the cement industry) and reduced consumption levels at the household level, put a halt to the exponentially rising levels of energy consumption, particularly of oil, which characterised the pre-1973 period. This was most evident in Western Europe—the most hard-hit. Estimates by the International Energy Agency (established by some OECD countries) put West Europe's oil consumption at 13 million barrels per day in 1980, lower than the 1979 level of 15 million barrels per day (equivalent to the consumption level in 1973). A similar tendency, if of somewhat lower severity, is evident in other industrialised countries also.

What made the OPEC escalations more unbearable was the simultaneous strengthening of the US dollar. Since OPEC's prices are expressed in US dollars, in 1981, while OPEC's official prices did not change, nonetheless, the roughly 20 per cent rise in the US dollar

vis-a-vis West European currencies, raised the landed cost of OPEC crude in Europe by 20 per cent on an average. Thus the prices of gasoline went up during 1981 by 32 per cent in Italy, 24 per cent in Great Britain and 17 per cent in France. Coming on top of the recession—real GDP of OECD countries rose by only 1.3 per cent during 1980 as compared to 3.5 per cent, 4.0 per cent, and 3.8 per cent in the three previous years—OPEC oil found no takers.

OPEC routes a substantial portion of its output through oil MNCs under contract and at the officially posted prices. Thus the four US majors—Exxon, Mobil, Texaco and Socal—the original owners of the Saudi fields, are entitled to a certain proportion of the Saudi state-owned ARAMCO's crude output, at the official prices. Till recently, with a tight market and heavy premia on the spot market, this entitlement was a very lucrative arrangement for the oil companies. Similar arrangements between other OPEC member-states and oil MNCs allowed for such contractual purchases. However, when the premium on spot prices began to vanish during 1980 and turn negative by 1981, the oil MNCs began cutting back on purchase at the official prices. In February 1982, it was reported that Socal and Texaco had reduced their offtake of Saudi oil to 700,000 barrels per day or about 15 per cent of their entitlement.

Such a development was natural, as the oil MNCs would, as a first priority, market their equity oil (i.e., production from company owned and operated fields). With the weakening of spot prices to below the official prices, contractual purchases would only mean additional operational losses.

In the first week of March 1982, the state-owned British National Gas Company—the main force in selling North Sea oil—cut its prices by four dollars per barrel. A little under a year back, the price of North Sea oil had been officially tied to the superior OPEC crudes of North Africa, which were at that time commanding a price of 35-36 dollars per barrel. The reduction of North Sea prices to a level three dollars per barrel below the Saudi official price, put further pressure on OPEC.

The fissures that were appearing in the OPEC, with individual countries offering discounts by the second half of 1981, were further widened by the BNGC move in March 1982. In 1981, some of the price cutting was disguised: Libya sold refined products at prices which implied a discount of two dollars per barrel on crude. A few like Iran were blatant. However, the reduction in North Sea prices brought out all these tendencies into the open. Venezuela cut its prices by 2.50 dollars per barrel at the urging of oil MNCs, while Nigeria was under similar pressure to reduce prices by 4.50 dollars per barrel. It was reported in March that the Saudis had offered Nigeria a flat sum of three billion dollars if the latter refrained from cutting prices. Saudi Arabia, on its part, has played in OPEC a role

which the Western media would like to call "moderate". The Saudis have, since 1980, claimed the right to decide independently on price and production ceiling questions. In practice, the Saudis had gone along with the rest of OPEC in raising prices and cutting production—but with that crucial time lag which added to Saudi coffers. The main factor which made the Saudis adopt this aloofness was the apprehension that the vulgar opulence of Saudi Arabia would prompt pressure from other OPEC countries for the Saudis to take on some of the extra load of production cut-backs off the shoulders of poorer OPEC brethren.

The net impact of this Saudi action, aided by the occasional bursts of supplies from Iran and Iraq, kept prices from firming up in 1981. It might, and with some logic, be argued that the Saudi insistence on lower OPEC prices was more appreciative of global reality, in contrast to the positions taken by other OPEC members. However, that abstracts from the reality of OPEC and hardly justifies the Saudi unilateral tropedding of OPEC efforts, to safeguard an extra billion or two dollars.

The question really boils down to the immediacy with which the different OPEC countries were pressed for additional revenue. Saudi Arabia, Kuwait, the U. A. E., Qatar, Libya and Iraq had been the recipients of continually rising current account surpluses. The current account surpluses of these OPEC members were up from 6.7 billion dollars in 1973 to 55.7 billion dollars in 1979 and 102.2 billion dollars in 1980. Other OPEC countries, who were losing out on import bills which grew faster than oil revenues, were plagued with current account deficits from 1975 onwards. The oil price escalations of 1979 and 1980 helped them to tide over matters somewhat, but the consequences of this temporary reprieve have proved truly expensive. While the current account surplus for all OPEC countries together stood at 110 billion dollars in 1980, it fell to 60 billion dollars in 1981. OECD estimates placed OPEC's current account surplus for 1982 at 35 billion dollars: current estimates however anticipate a deficit of two billion dollars. The order of adverse trade balances for the poorer OPEC countries this year may well be imagined.

To finance their ever-increasing trade deficits, the lesser OPEC countries had increasingly to take recourse to international borrowing from the World Bank and commercial banks. The publicised Euro-currency credit raised by Nigeria in 1978 was 1.75 billion dollars. In the first half of 1981 alone, the figure was 1.14 billion dollars. Venezuela raised around three billion dollars from Euro-currency credits in 1979 and 1980. Mexico, which had raised 7.7 billion dollars worth of Euro-currency credits in 1979, raised another 2.3 billion dollars during the first half of 1981. Besides this, many of these countries are converting short-term credit into long-term loans. The outstanding external public debt of the lesser OPEC members is

among the largest in the world and so is the pressure on service payments. Service payments, as a percentage of export earnings, rose from 22.2 per cent in 1973 for Mexico to 43.4 per cent in 1977 and 64.1 per cent (including pre-payments) in 1979; for Venezuela, the percentage rose from 6.0 in 1973 to 9.4 in 1979; for Indonesia, the increase was from 6.3 per cent in 1973 to 13.4 per cent (including pre-payments) in 1979. The compulsion of the ruling classes of most of these countries to maintain political and social stability through large doses of public spending—mostly on current account—while encouraging the accumulation of capital in private hands, without the benefit either of an industrial base or developed capitalist agriculture, necessitates the continued importation of increasingly larger amounts of consumer goods. The need for larger streams of oil revenue is central to the continued socio-political coherence of these countries.

Iran ought not to have been in the poor OPEC club, but for the Shah's predilection for subsidising the US armament industry in the early days and the divinely inspired chaos of the later days.

The desert kingdoms have a small enough population and a large enough oil revenue to spread well-being around and still have enough left over. The requirements of labour are generously provided by neighbours—Yemenis, Pakistanis, Indians. Their trade surpluses, after making the necessary offerings to the US armament industry, find their way into the multinational banks. Although the Arabs have set up many banks of their own (in collaboration with the more familiar European and American names), they prefer to channelise the bulk of their official surpluses through the Western banking system. The Middle East banks have to be content with any leavings, and deposits from Arab individuals. The latter is particularly profitable since, under the Islamic law, no interest need be paid to the Arab depositor. But since these funds find their way to the European money market, these banks rake in revenue which they term "profit" — unexceptionable under the Shariat!

The richer OPEC countries can survive lower oil prices and poor consumption levels of oil without much ill effect. It is in their interest to ensure that oil revenues remain steady and to that extent would possibly be willing to follow the Saudi lead. In any case, current events would have been highly educative. The poorer OPEC countries find themselves in a fix. With continuing inflation in Western economies pushing up their import bills, OPEC unity is of the greatest value to them. For the war-shattered Iraq too, the prospect of declining prices and falling demand poses a bleak future. Not surprisingly therefore, it too, like these OPEC countries, refuses to accept the demise of OPEC and continues to express the hope of an eventual reunification. However, with the limits of reduction in output brought to light, an eventual reunification would not provide

the solution to the problem.

The energy companies too have taken a beating. They had invested the profits from the earlier years into the development of new oilfields, into other energy areas — coal, synthetic fuel — and also into different manufacturing fields, like electronics. At the moment, they are low on cash and their non-oil investments have failed to bring in profits. The consequences of the global recession have also visited on them. In early 1982, the oil MNCs were brimming with oil inventories. The squeeze on credit made the holding of stocks very costly; in the first quarter of 1982, oil MNCs unloaded their stocks at the rate of two to four million barrels per day, contributing to the weakening of the spot market.

The oil exporting countries and the oil MNCs today are on razor-edge. If OPEC tries to strengthen prices by a cut-back in production, it would not make up for sizable cuts in their total revenue; simultaneously, OPEC action to strengthen prices would allow the oil MNCs to go ahead and develop new supplies; stronger prices would work to reduce consumption levels further; in a short while, everybody would be back to square one. The only alternative for OPEC would be to cut prices drastically and raise production. With the huge reserve capacity that the OPEC countries have, such a course of action would lead to a global reduction in refined product prices and render most of North Sea, Alaskan and other high-cost oil totally uneconomic. It would tie up the hundreds of billions of dollars invested in these fields belonging to both the oil MNCs and the multinational banks. Further, all recent financing would have been at fixed high interest rates and that would spell a financial crisis which Western finance capitalism can ill afford to bear.

However, for OPEC it is the only recourse. Price cuts could possibly provide a new basis for the cartellisation of all petroleum production in the capitalist world — the only possibility for OPEC's stability. This is, nevertheless, very unlikely. The large producers who would have to give the lead, Saudi Arabia, Kuwait, UAE, are too closely tied up in a community of interest with international finance capital to entertain a strategy that would seriously jeopardise European and American finance capital. The lesser OPEC countries are too deep in debt to embark on such a course of action without the support of the richer OPEC members.

The only answer to OPEC's prayers can possibly come in the form of an economic upturn in the West — a prospect which appears unlikely to materialise in the next year. Even if some recovery is made during 1983-84, it would hardly be of an order which would raise aggregate demand to a level where OPEC can hope for offtakes at the 1979 level. In that event, the poorer OPEC countries would have to remain content with insufficient oil revenues and increased dependence on international borrowing. It is likely that the drive

towards higher fuel efficiency would be slowed down and an effort made by the energy companies to increase the energy consumption of the average European and American household. Big gas-guzzling cars from Detroit might yet make a reappearance and the energy consciousness of the West temporarily shelved till yet another crisis from the supply side. In any case, the interests of the energy companies and that of the rich oil exporters both lie in the upturn of oil demand at the currently ruling spot prices—maybe a dollar or two off per barrel. Under these circumstances, the possibility of OPEC reunification and joint price control appears to be remote.

S.C.

PLO : Its Background and Activities

THE first Jewish agricultural settlement called the *Mikveh Israel* (Ingathering of Israel) was established in Palestine in 1870 by the European Jews with the help of private Jewish capital. The Palestinian Arabs started having skirmishes with the incoming Jews almost from the very beginning, and as such, the origins of the Palestine national movement can be traced back to that fateful year. Till the end of the century, the Arabs constituted 90 per cent of the population and owned 99.5 per cent of land.

World War I and the subsequent years of British Mandate witnessed ever bigger waves of Jewish immigrants. The Palestinian leadership, using the press, pulpit and political persuasion, concentrated its activities mainly on stopping the Jewish immigration to the area and on preventing the Palestinians from leaving their land or selling it to the Jewish settlers at a nominal price. Since the settlers came riding on the wave of persecuted Judaism, the Palestinians instinctively fell back upon Islam as an antidote. The two rival Palestinian families—the Husseinis and the Nushashibis—co-operated with the British mandatory authority spending their efforts more on establishing one-up-manship over each other rather than uniting against the twin sources of danger—from the Zionists and the West.

The League of Arab States—formed in 1945 by the kings of Egypt, Saudi Arabia, Iraq, Transjordan and Yemen and the presidents of Syria and Lebanon—accepted political responsibility for the Palestinians. An annexure to the League Charter called upon the League Council to select a Palestinian to take part in its work. After the proclamation of the state of Israel and the first Arab-Israeli war, the Arab armies were completely routed and exposed to be working at cross-purposes. By the end of the war, King Abdullah of Transjordan formally annexed the 5,600 square miles of Palestinian West Bank to his territory, changing the name of his country to the Hashemite Kingdom of Jordan. Egypt extended *de facto* rule over the Gaza Strip of roughly 135 square miles under the nominal leadership of Hajj Amin al-Husseini.

As a result of the war and the Zionist massacre of the Palestinians, the latter fled their homes. According to rough estimates, 700,000 Palestinians became homeless; out of them roughly 80,000 went to Lebanon, 100,000 to Jordan, 70,000 to Syria, 120,000 to Gaza and the rest dispersed to the far-flung Arab land. Nearly 120,000 stayed back in Israel itself.

Yasser Arafat, a Palestinian student-leader in Cairo, initiated

the first move towards mobilising the Palestinians by forming the General Union of the Palestine Students (GUPS). He probably worked in consultation with Hajj Amin al-Husseini and both together were probably supported and assisted by the Egyptian Muslim Brotherhood of Hassan al-Bana. After an unsuccessful assassination attempt on Gamal Abdel Nasser, the Egyptian President came down heavily upon the Brotherhood; the ring-leaders of the plot were executed, the rank and file were jailed and the organisation declared illegal. Husseini left for Iraq in search of an alternative political patronage and Arafat moved to Kuwait.

Around the same time that Arafat was putting together the GUPS, a parallel Palestinian liberation movement was taking shape in Beirut where George Habbash, Nayef Hawatmeh and other Palestinian exiles founded the *Harakat al-Quamiyyun al-Arab* (Arab National Movement). The ANM was committed to liberating Palestine and envisaged it on the basis of and with the help of Arab unity. It soon established branches in Jordan, Iraq, Syria, Kuwait, Bahrein and Egypt during the 1950's. In Egypt, the ANM found a great ally in Nasser and pledged its support to his Arab policies. The ANM too was to be disillusioned like the GUPS, but it came a little later.

In 1964, the Arab League held its first summit meeting and decided to form a political organisation of the Palestinians. Accordingly, it selected Ahmed Shukairi, a new Palestinian leader, to put it together. Shukairi called the first Palestine National Congress in Jerusalem and on May 28, 1964, proclaimed the creation of the Palestine Liberation Organization (PLO). The second Arab summit met in September, recognised the PLO and gave it an observer status in the League. The PLO, at this stage, was almost an adjunct of the Arab states; its will was subordinated to the wishes of Nasser in Egypt, Aref in Iraq and King Hussein in Jordan; its armed personnel were attached to the various Arab armies, and its activities were closely controlled by the Arab governments.

Resistance Groups

Yasser Arafat founded *al-Fatah* (Victory) in Kuwait in 1958 and soon after that spread it out among almost all the exile groups. It engaged the Israelis in hit-and-run attacks even before the 1967 war. However, the battle of al-Karamah in Jordan on May 21, 1968, in which the *Fatah* took on a regular contingent of the Israeli army, became its introduction to the world and attracted large numbers of Palestinian youth to its fold. Today, it is the biggest of the resistance groups—bigger than all the rest put together. As such, it has acquired an umbrella-like character where people of various backgrounds and shades of opinion have come together. Its singular goal is stated to be the liberation of Palestine and the establishment of a secular, democratic state. It is basically a nationalist organisation and shuns

ideological debate on wider issues, deferring them till the creation of the state of Palestine. It subscribes to the ideal of Arab unity, but believes it to be impractical till liberation is achieved, accepting whatever aid and assistance is available from the Arab states towards that end. Its strategy is based on popular resistance, both military and political. The *Fatah* has been able to convert all classes of Palestinians—the Palestinians in Israel, in Israeli-occupied areas, in the Arab Diaspora and in the extended Diaspora which includes the well-to-do businessmen, professionals, industrialists and well-known academics, intellectuals, artists and so on in the far-flung places like the United States, Europe etc.

The second biggest resistance group is the Popular Front for the Liberation of Palestine (PFLP) which emerged out of the disintegration of the ANM in the aftermath of the 1967 war. It subscribes to the Marxist ideology and considers the liberation of the Arab masses a precondition for the liberation of Palestine. Strategically, it perceives its struggle to be world-wide—against Israel, Zionism, Imperialism and Arab Reaction. Its tactics include spectacular operations like sky-jackings, selective violence in urban areas, and so on. In the initial years, George Habbash's meddling in Arab politics had resulted in his being accused of conspiring to overthrow the monarchy in Libya and the government in the North and South Yemen. In the 1960's, the PFLP had joined the Baathist government in Iraq, but developed differences soon after that on ideological and political grounds.

Another faction of the ANM under Nayef Hawatmeh calls itself the Popular Democratic Front for the Liberation of Palestine (PDEL). It is more doctrinaire in its approach than the PFLP and disputes the latter's claims to Marxism-Leninism. It maintains a studied distance from the Arab regimes and emphasises the radicalisation of the Arab masses as one of its major tasks. *Al-Saiqa*, a protege of Syria, is yet another group. It shares the Baathist aspiration of the Great Arab Socialist State comprising the liberated Palestine as well as the other Arab countries. The Arab Liberation Front, a protege of Iraq, is also Baathist in outlook but equally antagonistic to the Syrian version of it. The PFLP-General Command is a splinter group of PFLP and is believed to be supported by Libya.

PLO: Goals and Organisation

Although founded in 1964, the PLO became a viable organisation only a few years later. At the Palestine National Council (PNC) meeting in February 1969, Yasser Arafat was elected its chairman along with an 11-member executive committee. The PNC also revised the "Palestine National Charter" which was originally drafted in 1964 and which is the fundamental document of the movement.

The first two Articles of the Charter provide a framework for its actions. "Palestine is the homeland of the Palestinian People. It is an inseparable part of the bigger Arab nation, and its people are an integral part of the Arab nation" (Article 1). "Palestine, with the borders that existed during the British Mandate, is an indivisible geographical unit" (Article 2). It provides three slogans to the movement: "National Unity, National Mobilization and Liberation" (Article 11).

The Charter analyses Israel in these terms:

Zionism is a political movement, a part of world imperialism, and is against all liberation movements in the world. It is a fanatic racist movement in its nature, antagonistic and expansionist in its aims, and fascist-Nazi in its means. Israel is a tool for the Zionist movement and human and geographic base for world imperialism, and a centre inside the Arab world for imperialism to counter the Arab nation and prevent it from progress, unity and liberation (Article 22).

Outlining its own strategy to counter the threat, it says:

The armed struggle is the only way to liberate Palestine; it is, therefore, a strategy and not a tactic. The Palestinian People confirm their absolute determination and unbendable will to continue the armed struggle and march towards the armed popular revolution for the liberation of, and the return to, their homeland as well as for their right to a normal life and in determining their destiny with sovereignty over their land (Article 9).

The Constitution of the PLO is a second basic document of the movement. It lays down the institutional structure and functioning of the movement. The Palestine National Council is the supreme body which is equivalent to a parliament. Its membership is 315; out of which the resistance movements send 94, mass movements and trade unions send 51, the Diaspora sends 62, while 20 are selected from the personalities expelled by the Israeli occupation authorities, 13 are from among the scientists and intellectuals of international repute and 75 are independents. The representatives of the guerrilla movements, of the trade unions and of the Diaspora (i. e., 207 members) are directly elected by their respective constituencies. The others (i. e., 108) are coopted by the initially elected members of the PNC. Besides, 122 seats are set aside for representation from the occupied territories. The members do not physically attend the PNC sessions, but are in contact with the movement and keep the movement informed of the situation in the occupied areas.

The executive committee is equivalent to a Cabinet. It has

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for nine long days in Jordan in September 1970. It resulted in more than 3000 dead and many times more wounded. It was Nasser once again who brought about a truce between Arafat and King Hussein of Jordan. The episode is still commemorated as the "Black September" and has given rise to an extremely violent, top-secret terrorist group calling itself by that name.

Egypt, a mediator between the PLO and the Arab states, itself felt constrained in the aftermath of Nasser's acceptance of the Roger's peace plan in July 1970. A few months later, Hafez Assad led a coup in Syria overthrowing Nureddin al-Attasi. The Syrian support from then on has been cautious and fluctuating.

In the aftermath of the 1973 war, the front-line states tightened their shackles on the PLO as they were brought into the Kissinger shuttle solution. After Syrian-Israeli disengagement in 1975, Syria reportedly prohibited the PLO from launching attacks on the Golan Heights; after the Egyptian-Israeli treaty of September 1975, Egypt closed down the *Saut al-Thawra*, the Palestinian radio broadcasts from Cairo, and shut down the office of the Palestinian Journalists and Writers Union. The next year, the Syrians, after putting the PLO under strict reins in Syria itself, intervened in the Lebanese civil war to cut it down to size. They sent a force of roughly 25,000 that out-did the "Black September" by besieging, along with the Lebanese army, the Palestinian camp of Tel al-Zautar for 52 days and killing thousands.

The non-frontline states, on the other hand, have maintained smooth relations with the PLO. Iraq, Algeria and Libya vocally support the Palestinian cause, although towards the end of 1979 there was serious trouble between the PLO and the Libyan leader Qaddafi. Iraq supports the Arab Liberation Front and has virtually reduced it to an arm of the Iraqi aggressive diplomacy abroad. Among the rich Gulf states, Saudi Arabia and Kuwait have been big donors to the PLO and have also agreed to deduct directly 10 per cent out of the salaries of their Palestinian workers and hand it over to the PLO. The People's Democratic Republic of Yemen, the only Marxist Arab state, considers the PLO as one of the liberation struggles against world imperialism and treats it as such—without according it a special nationalistic consideration.

It is interesting to note that Ahmed Shukairi led the first PLO delegation to China in 1965 where it was accorded a *de facto* diplomatic recognition and was permitted to open an office. Arafat clandestinely visited Moscow, as an incognito member of Nasser's delegation in the late 1960's. The formal visit and diplomatic recognition came in 1970.

The PLO forged ties with the US government in 1975-76 when it helped the US embassy in Lebanon in evacuating its citizens and secured safe passage for their movement across the Green Line. In

March 1977, the US came the closest to accepting the PLO, when Carter stated that the Palestinians were entitled to a "national home". In November, Arafat sent two of his distinguished colleagues—Sabri Jiryis and Issam Sartawi—on a widely publicised tour of the United States. They toured New York, Chicago and Washington, addressed gigantic meetings, and were successful in working out the details of a PLO information office in Washington. Today, the PLO operates an office in New York as part of its representation in the United States and an office in Washington.

In Europe, PLO won its first informal recognition from France in a heavily-publicised breakfast meeting between Arafat and Jean Sauvagnargue, the then French Foreign Minister, in October 1974. Other European leaders soon followed suit.

Today, all the countries in the Socialist Bloc, most of the non-aligned countries and many of the European countries have accorded recognition to the PLO. The total number of such countries is roughly 115, in nearly 85 of which the PLO is represented at the level of an ambassador.

PLO and the United Nations

Israel points to the UN General Assembly resolution 181 as its legal claim to statehood. The same resolution also provided the Arab people of Palestine the right to an independent state. That part of the resolution, regrettably, was never implemented. The next year, in 1948, the UN General Assembly adopted resolution 194 which said that those who wished to return to their homes as soon as possible and to live at peace with their neighbours should be permitted to do so. The validity of these resolutions remains unquestioned till today.

After that, the UN dealt with the Palestinian problem only on humanitarian grounds. The creation of the United Nations Relief and Works Agency and overseeing its satisfactory performance became the UN responsibility, but nothing beyond that.

It was only a few years back that the UN directed its attention afresh to the subject. On October 14, 1974, the UN General Assembly, in its resolution 3210, decided that it considers the Palestinian people to be the principal party to the question of Palestine and the PLO as its representative. Subsequently, resolution 3236 reaffirmed the inalienable rights of the Palestinian people and resolution 3375 called on the PLO to participate in all efforts for peace made under the auspices of the UN, on an equal footing with other parties. Accordingly, Arafat addressed the General Assembly on November 13, 1974, and the PLO has been maintaining a permanent observer at the General Assembly and participating in the various agencies of the UN.

In 1975, the UN established a Committee on the Exercise of the Inalienable Rights of the Palestinian People and entrusted it with

the task of drawing up a programme designed to permit the Palestinian people to exercise the rights recognised in resolution 3236. The Committee submitted its report in 1978 outlining a plan of action which included:

- I The repatriation of the Palestinian refugees in two phases:
 - (a) The 1967 refugees (immediate repatriation).
 - (b) The refugees between 1948 and 1967 (repatriation or compensation) in accordance with relevant UN resolutions, particularly the General Assembly resolution 194.
- II The complete withdrawal of the Israeli forces from the occupied territories in the 1967 war and the compliance of Israel to abide by the provisions of the Geneva Convention relating to the protection of civilians in time of war.
- III The establishment of an Independent Palestinian Entity.
- IV The making of further arrangements for the full implementation of the inalienable rights of the Palestinian People taking into account resolution 3345 (1975) and the establishment of a just and lasting peace in the region according to all relevant resolutions.

The UN General Assembly has approved innumerable resolutions calling for the implementation of the Plan, reasserting its support to the PLO and rebuking Israel on various scores till today. The net result of all these exercises, however, has only been a global awareness of the problem, though the U.N's own helplessness in the matter has become evident.

The total Palestinian population is estimated to be 4.5 million. Dispersed all over the world, their major concentrations are in the Arab neighbours of Israel. Surprisingly, the biggest concentration of the Palestinians is in Israel and the Israeli-occupied territories put together, where they number 1.4 million and pose an imminent threat to Israel's pristine demography.

Israel has proved itself to be a ruthless expansionist state that has repeatedly shown its preference for the battleground over the negotiating table; the Arab states have been only grudging hosts and benefactors of the PLO; the internal dissensions among the various resistance groups have been suicidal at times; external interference in the PLO's affairs—intrigues to break it up or to groom an alternative organisation—has been going on for a long time. The PLO, working against such tremendous odds, has proved itself an effective fighting force.

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BOOK REVIEW

In the Struggle for Truth

STILLMAN DRAKE, GALILEO, Oxford University Press, pp VII+100, 1.25 pound sterling.

THE unabating interest in the life and work of Galileo is not merely academic. The reconstruction of events leading to his condemnation by the Roman Inquisition in 1633 and a historical interpretation of his work have a direct bearing on the philosophy of science, the history of ideas, the relationship between science and religion not only as it evolved in his time but even contemporaneously. Therefore, an intellectual biography of Galileo, however sketchy, transcends the spatio-temporal nature of the personages involved and acquires an ideological and philosophical significance.

Progressive mankind has always drawn inspiration from Galileo's insistence on scientific truth. To recall only one well-known instance—Dimitrov's famous speech at the Reichstag Trial. Concluding his defence, hurling back the false charges of the fascists, that indomitable fighter for freedom and international leader of the working class, said:

In the seventeenth century the founder of scientific physics, Galileo, was arraigned before the stern court of the Inquisition. ... With profound conviction and determination he exclaimed: *Eppur si muove* (Nevertheless, it moves). This scientific law later became known to all mankind. No less determined than old Galileo, we communists declare today—*Eppur si muove*.

It is again a measure of the universal relevance of Galileo that, likewise, the opponents of the scientific approach and mode of thinking—the essence of Galilean thought—find it necessary to twist and interpret Galileo's life and the relationship between his work and the Church, to suit their own arguments. Hence, there has always been a trend which has maintained that while the Church was tolerant enough to allow a plurality of views, it was Galileo's intransigence and intolerance that led to the conflict and subsequent Inquisition.

Stillman Drake falls into this category. In his small book, titled *Galileo*, the undoubted scholarship with which he deals with the salient and controversial features of Galileo's trial, his interpretation of these events, only underlines his ideological bias. The main attempt in the book is to substantiate the 'outlandish' hypothesis that "Galileo was a zealot not for the Copernican astronomy, but for the future of the Catholic Church and for the protection of religious faith against any scientific discovery that might be made" (p 2). This hypothesis is supported by the claim that it was the hostility of contemporary philosophers, and not of the Church, to Galileo's work that led to his facing Inquisition. Thus Galileo's being 'no philosopher' is utilised to assert that Galileo was not setting up science in defiance of faith, and thus to dispel the common belief that Galileo had hurled a defiant challenge to religious faith in the name of science. And the basis for counteracting this commonly held belief are the subjective intentions of both Galileo and the Church. In fact, the whole chain of argumentation is essentially subjective in nature. Drake states: "That (challenging religious faith) was by no means his intention, though it is true that theologians proceeded to nip Galileo's science in the bud, which may not have been their intention at the outset" (p 1).

Conscious of the subjectivist nature of this approach, Drake tries to justify it on the ground that the very durability of the Catholic Church as a social phenomenon can only be understood in subjectivist terms, if at all, and therefore why not adopt the same approach to an understanding of Galileo? And further, the fact that three Cardinals of the Inquisition refused to sign the sentence against Galileo is interpreted as their being certain of Galileo's Catholicism and hence as evidence confirming the hypothesis. But, by the same logic, the many more than the three who condemned Galileo must have been equally certain that he was violating the basic principles of Catholicism. Even though he does not pursue his own logic, Drake still cannot square the two sides of his own argument.

A more substantial point, however, is that his definitive assertion that "it was not Galileo who created the breach between religion and science" is based on the assumption that Galileo created a science that could not be accepted by the philosophers. It is the supposedly mischievous role assigned to philosophers and philosophy in general that is held responsible for the breach between science and religion. Philosophers alone were responsible for introducing the Bible into their disputes with Galileo, and, according to Drake, once this category of people is banished from the face of the earth, religion and science can co-exist, supplementing each other.

To maintain his facile argument Drake has to do a lot of tight-rope walking. On the one hand, he maintains that Galileo was no philosopher at all and "recent attempts to make a philosopher out of

him have created much heat but no light" (p 6), while, on the other hand, he neither defines his conception of philosophy except natural philosophy, nor does he define the relationship between philosophy and theology.

In fact, of course, the revolutionary scientific thought introduced and established by Galileo has influenced the entire growth of philosophy since his time. Both the empirical and the rationalist schools of modern philosophy are likewise under the influence, and "so to speak, under the spell", of Galileo's work.¹ Such was the significance of Galileo's work that Kant, in his preface to the second edition of the *Critique of Pure Reason*, wrote, "When Galileo let balls of particular weight, which he had determined himself, roll down an inclined plane...a new light flashed on all students of nature."²

Throughout his writings, Galileo reflected on and articulated the generalised conceptions implied both by his method of science as well as its conclusions. That is the reason why, despite his arguments defending the Copernican system having become obsolete, his writings sustain a contemporary relevance as a defence of a new concept and ideal of scientific truth. In a letter written in 1613 to Benedetto Castelli, Galileo had observed that there is no human or divine authority that may be placed above the authority of experiment and mathematical deduction. In the new science the principle of verbal inspiration—a characteristic of theology and medieval science—is to be rejected.

If ever there should arise an insoluble contradiction between something ascertained by empirical observation and something taught by the Holy Scripture there can be no doubt as to the side on which the scale of the balance of truth must decline. There is a double revelation of God, said Galileo—the one contained in His word, the other contained in His work, the one to be found in the Bible and the other to be found in nature and its general laws. But in case of doubt the latter revelation must always prevail over the former. For words are destined for human purposes. They are the most important, nay the unique, means of all communication between men. But if there is any communication between God and men it cannot be based upon so uncertain a ground as words. Words are ambiguous by their very nature and essence. To be understood they must be interpreted and this interpretation must always remain doubtful and insecure. But as soon as we turn to the second source of divine revelation, to God's revelation in nature, this uncertainty ceases. Out of the mutual support of observable facts and demonstrable mathematical propositions there arises an image of reality that possesses a unique and necessary truth. Why should we therefore, concluded Galileo, in striving to know the universe and its parts, begin with the word of God instead

of with His work...or is perhaps the work less noble and excellent than the word? Whatever knowledge may be given us in the form of true experience or whatever may be taught by conclusive demonstrations can never be questioned by any argument taken from Biblical texts, for not every word of the scripture is governed by such rigid laws as every effect in nature.³

Summarising the conclusion of this letter, Drake himself says, "This was the first letter in which Galileo argued that freedom of enquiry should be allowed by theologians in all matters that could be decided by appeal to 'sensate experiences and necessary demonstrations' alone"(p 58).

This letter had not gone unnoticed. The zealots of the Church had brought it before the Cardinals of the Inquisition but the case had to be closed for lack of evidence.

Drake quotes passages after passages from Galileo's work which belie his own assertion that Galileo was, and is, no philosopher. For example, "In Sarsi I seem to discern the firm belief that in philosophising one must support oneself on the opinion of some celebrated author, as if our minds ought to remain completely sterile and barren unless wedded to the reasoning of someone else. Possibly he thinks that philosophy is a book of fictions by some author, like the *Iliad* or *Orlando Furioso*—productions in which the least important thing is whether what is written in them is true. Well, Sarsi, that is not how things are. Philosophy is written in this grand book, the universe, which stands continually open to our gaze. But the book cannot be understood unless one first learns to comprehend the language and to read the alphabet in which it is composed. It is written in the language of mathematics, and its characters are triangles, circles, and other geometric figures, without which it is humanly impossible to understand a single word of it; without these, one wanders about in a dark labyrinth".⁴

Drake adds correctly, "The final sentences are often said to mean that Galileo, like Plato, cared not about Nature but about a mathematically perfect world behind or above Nature. Yet Galileo spoke here of mathematics as a language necessary for understanding nature, not as an end in itself. Mathematical regularity stood in contrast with the 'sympathy', 'antipathy', 'occult properties', 'influences', and other terms employed by philosophers as a cloak for the correct reply, which would be 'I do not know'. That reply is as much more tolerable than the others as candid honesty is more beautiful than deceitful duplicity" (p 70).

Thus Drake's argument that Galileo was no philosopher is demonstrably false.

The foregoing quotations give clear enough indication of Galileo's attitude to the relationship between science and theology.

In the letter to Castelli he had categorically stated, "Scripture being therefore in many places not only liable to, but necessarily requiring, expositions different from the apparent meaning of the words, it seems to me that in physical disputes it should be reserved to the last place"(p 61).

In the face of such indisputable evidence that Drake himself cannot help but quote, he cannot also escape the conclusion. To this, however, he gives his own interpretation: "Until his time science had been the handmaiden of philosophy, which in turn was the handmaiden of theology. He wished to free science from subservience to philosophy as the historical obstacle to its utility and progress"(p 90). How from this statement one can draw the inference that Galileo did not wish to free science from theology is a feat performed in the following sentence, defying all canons of logic and common sense. Drake goes on to say: "He (Galileo) dreamed of a better philosophy as the ultimate result, but the absolutist conception that science should be free from all constraint was no part of Galileo's thought. Its constraints should be chosen in such a way that no conflict with theology could even arise, and out of it would come a philosophy equally in harmony with it and with theology"(p 90).

However, even this palpably absurd reasoning of Drake cannot salvage his hypothesis in relation to Galileo which is proffered to assert and imply a compatability between religion and science (or the Bible and science) in modern times. Whatever Galileo's subjective intentions, even if they can be shown to be contrary to the obvious conclusions that can be drawn from his writings, his work definitely and irreversibly set up science in defiance of faith.

In his eagerness to establish this harmony of religion and science, Drake had further to reinterpret the fact relating to the Inquisition. What are the facts as narrated by Drake?

Early in 1616, Galileo wrote his tide theory which depended on his assuming the Copernican motions of the earth. The disputable propositions of this theory were submitted to the theological 'qualifiers'. The propositions and the qualifiers' opinions on them were as follows:

1. That the sun is in the centre of the world, and totally immovable as to locomotion.

Censure: All say that the said proposition is foolish and absurd in philosophy and formally heretical inasmuch as it contradicts the express opinion of Holy Scriptures in many places, according to the words themselves and according to the common expositions and meanings of the Church Fathers and doctors of theology.

2. That the earth is neither in the centre of the world nor immovable, but moves as a whole and in daily motion.

Censure: All say this proposition receives the same censure in

philosophy, and with regard to Theological verity it is at least erroneous in the faith (p 64).

In the weekly meeting of Cardinals of the Inquisition, on February 25, 1616, the Pope asked Cardinal Bellarmine to notify Galileo in the presence of a notary and witnesses that he must not hold, defend or *teach* the propositions. The entire trial of Galileo later depended on this notification (which never seems to have been served on Galileo) and particularly the word *teach* in it. Galileo's defence consisted in asserting that no such command was ever given to him and whatever he was told by Cardinal Bellarmine did not deny him the freedom to discuss the Copernican system provided he did not hold it to be true or defend it as more than a mere astronomical hypothesis. The Inquisition, on the other hand, based its case and judgement on an unsigned document which appears to be a falsification, through which Galileo was supposed to have been told not to hold, defend or teach in any way, orally or in writing, the propositions named. Galileo sought to defend himself with the aid of an affidavit which had been given to him by Cardinal Bellarmine to the effect that Galileo was told no more than that the two propositions had been censured and that he must no longer hold or defend them. The second authentic document allowed Galileo to discuss all the arguments for and against the Copernican system without holding either side.

The grounds for believing to be false the document on the basis of which Galileo was condemned, are impeccable. After his meeting with Galelio, Bellarmine had reported that Galileo had been advised of the Pope's decision and had acquiesced in it. No one at the meeting, including the Commissary, had added anything to Bellarmine's report. On March 5, a decree prohibiting books in which the motion of the earth and stability of the sun were treated as real, was issued. Galileo was fully informed of the corrections to be made in *De revolutionibus* which was published in 1620. Within a few months, in order to counter the rumours that he had been punished, Galileo asked Cardinal Bellarmine to give him an affidavit. Referring to it in his defence in the trial of 1633, Galileo said: "In the month of February, 1616, Cardinal Bellarmine told me that since the opinion of Copernicus absolutely taken contradicted Holy Scripture, it could not be held or defended, but that it might be taken hypothetically and made use of. In conformity with this I have an affidavit of the same Cardinal Bellarmine made in the month of May, on the 26th, 1616, and it is entirely written in the hand of Cardinal Bellarmine." In the affidavit the words, *teach* in any way, do not appear.

These are the facts cited by Drake himself. From them it is clear that it was Bellarmine *alone* who administered the command, repeated it to the meeting of Cardinals and gave an affidavit to

Galileo of what had transpired. Therefore, to adduce any other document not signed by anyone, leave alone Bellarmine, to try Galileo is correctly characterised as forgery on the part of the clergy.⁵ Drake dismisses this characterisation as some sort of overenthusiasm on the part of the partisans of Galileo.

Yet, Drake himself records, "No scientific question was raised at the trial; the charge was 'vehement suspicion of heresy', for which it was sufficient to have disobeyed an official order, whether or not any heresy has been uttered."

The lesson from the trial episode is poignantly drawn by Galileo himself in the notes he made in his own copy of *Dialogue*: "and allowing persons entirely ignorant of a science as judge over those knowing it, so that by the authority conceded to them they are empowered to have things their way: These are novelties capable of ruining republics and subverting states."⁶

In this observation Galileo sharply brings out the relationship between authority and the critical creativity that poses or is deemed to pose a challenge to it. It is the unchanging nature of this relationship that lends contemporaneity and urgency to its comprehension.

One has to grasp the essential nature of this relationship which unfolds as a conflict between the powers that be and science. The conflict cannot be understood in terms of the shortcomings or ambitions of a few clergymen as Drake attempts to do. Galileo had to face the Inquisition twice and the second time he could not be saved even by a number of sympathetic Cardinals. He had to face the wrath of a powerful Institution that even resorted to criminality to silence him.

The institutional nature of this conflict is further illustrated by the nature of the censorship that was imposed on him after his recantation.

Between 1634 and 1637, Galileo worked on his book called *Two New Sciences* which dealt with the analysis of motion and structure and resistance of materials. The first half of the book was completed in 1635 and the question of a licence for its publication was broached to the Venetian Inquisitor. Although the book had nothing to do with questions of theology, the Inquisitor showed Galileo the order which prohibited printing of anything whatsoever that Galileo might ever write or even just edit, including the Lord's Prayer (the Censors work even now, as they worked then). Ultimately, the book had to be smuggled out of the country and published in Leyden.

Drake's study attempts to bring about a reconciliation between religion and science, by interpreting Galileo's intention to be "to prevent responsible theologians from risking the Church's future credibility by taking up a position on any scientific matter at all". As a corollary, the reverse position is also treated as true, ie, that science

should not interfere or opine on issues relating to theology. And thus by building for science an exaggerated autonomy from other social institutions, Drake is able to build the hypothesis that religion and science can be reconciled by separating the two and allowing each to pursue its independent path. For precisely this reason Drake can then obviate the necessity of analysing the implications of Galileo's recantation at the Inquisition. For Galileo's revolutionary spirit in creating a new science and the weakness he showed in the face of the powers that be, poses the question of the moral responsibility of the scientist.

Isolating science leads to treating it as an autonomous region which can then be utilised to serve the political, economic and ideological interests of the powers that be. By exaggerating the autonomy of research, what is actually practised is the autonomy of marketing this research. As finished products, scientific formulae like $E=MC^2$ may not imply a value system of their own. But a Hiroshima shows what its social and moral implications are. Can the scientist working on the formulae absolve himself or remain immune to the social implications of his research? Does his personal moral conduct in any way influence the social contours of his research? Drake's interpretation is totally inadequate to provide answers to these questions.

But what Galileo's story illustrates is that the cognitive process is conducted by living human beings in concrete social conditions and therefore each step in this process requires a revolution of the existing norms, opinions and values. Both in the very process of research and in the use that is made of its results, the scientist cannot stay aloof; he is forced to take positions.

Galileo's life and work has the message that Brecht drew from it: "Truth will triumph only in so far as we triumph; the victory of reason can only be the victory of reasonable people".⁷

In the great battle of ideas we have to struggle to establish truth. Truth does not blaze its own trail. With his own strength, and frailty, Galileo struggled in his times. The battle is far from over.

RAJENDRA PRASAD*

1 Ernst Cassirer, "Galileo: A New Science and New Spirit", in Alexander Vavoulis and A. Wayne Colver (ed.), *Science and Society: Selected Essays*, Indian Reprint, 1971, p 3.

2 Kant, *Critique of Pure Reason*, p 20.

3 Cassirer, *op cit*, pp 4-5.

4 Quoted in Drake from *Discoveries and Opinions*, pp 237-238.

5 "The trouble is that the famous injunction was a forgery: a false record carefully planted by the Inquisitors in their secret file in case it might come

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States' 'Overdraft' Problem in Perspective
□ Crisis in Power Equipment Industry □
Unilever in India □ Inter-Imperialist
Contradictions □ Indian Foreign Policy

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Articles, notes, discussion and review express the views of the authors and not necessarily of the editors or of the Indian School of Social Sciences

Editorial Note

WE ARE happy to announce that M J K Thavaraj will be joining us on the editorial board of *Social Scientist* from this issue onwards. He has been associated with *Social Scientist* from its very inception a decade ago and has been a source of great help and encouragement for the journal. It is most gratifying for us that through this formal association we can from now on draw even more heavily upon his time and energy. He also contributes the lead article of the current issue. In the last few issues of *Social Scientist* we have published a number of articles discussing the question of federalism, both theoretically as well as in the specific Indian context. Thavaraj carries this discussion forward in his article by focussing on the concentration of financial resources in the hands of the Centre. The gradual erosion over time of the revenue sources of the States through unilateral Central enactments, the whittling down of the importance of the Finance Commissions which are set up under the Constitution, and their gradual supersession by Central Government bodies like the Planning Commission of the Ministry of Finance, the increasing role of Central discretion in deciding on the magnitude of total financial transfers to the States, all these are developments which have reduced the States in India to a virtual "mendicant status", even though under the Constitution much of the development and welfare expenditure that directly and immediately affects the people falls within the purview of the States.

And the mendicants have of late been getting less and less alms. Matters finally came to a head last year when, under IMF tutelage, the Central Government raised the administered prices of a whole range of basic commodities. If the same revenue had come to the Centre through excise duties, a part of it would have had to be given to the States. But since the revenue was raised by increasing the administered prices, it was non-sharable with the States. While the States had to spend more in money terms on account of this "engineered inflation", they could not claim a paisa out of the enhanced revenue. There was a crisis in State finances which was reflected in a sudden increase in State overdrafts with the Reserve Bank of India. But again while the Centre can resort to any amount of deficit financing, the States cannot. Outstanding overdrafts would either have to be adjusted against Central Plan assistance, or be converted into term-loans repayable with interest. Both these measures obviously serve only to worsen the financial crisis of the States, and hence ultimately increase further the burden on the people through enforced cut-backs in relief programmes, welfare expenditures, social services and the like, all of which are paid for out of the State budgets. The

current financial crisis of the States therefore is integrally linked to the IMF programme for India, which characteristically seeks to achieve "austerity" by imposing a drastic squeeze on the common people.

The implications of import-liberalisation, another favourite IMF prescription, are discussed in Ashok Rao's article in the context of the power equipment industry. In virtually every capitalist country, power equipment is a protected industry. Moreover, in the current recession which has hit this industry very hard all over the capitalist world; so much so that, as Kitty Menon's note points out, Western European governments, including Margaret Thatcher's, are prepared to risk a major row with the U.S on the question of Reagan's ban on equipment deliveries for the Siberian oil pipeline, the major producers are offering dump prices and easy credit in their desperate search for markets. This is precisely the time when the Indian government should be taking every conceivable step to protect and nurture our domestic power equipment industry against foreign onslaughts. On the contrary, it is starving the domestic industry of orders and is switching to the import of power equipment. All this notwithstanding the fact that BHEL has just entered into an agreement with Siemens to revamp its technology — to produce the very same power equipment that is now sought to be imported. Rao not only exposes the spuriousness of the technological arguments advanced in favour of bigger equipment that were meant to justify the Siemens collaboration in the first place, but also draws pointed attention to the utter absurdity of importing the very same equipment for the production of which the Siemens collaboration was entered into.

Ajay Rath's article on Hindustan Lever not only studies the impact of a multinational's operation on the host country's economy, but also brings out the importance of this particular offshoot in the global empire of Unilever. While Hindustan Lever accounts for no more than between 1 and 3 per cent of the Unilever empire's sales, capital employed, employment etc., it contributes a far higher proportion of total Unilever profits, siphoning out crores of rupees in precious foreign exchange every year.

The three articles taken together expose the disastrous consequences for the economy of the new direction of the government's economic policy, i.e., increasing administered prices, liberalising imports and opening the doors even wider to multinationals, a direction that was clearly discernible earlier but which has now been firmly imposed by the IMF *diktat*.

Elsewhere in the issue Maitreyi Chaudhury criticises the so-called "modernisation theory" prevalent among sociologists, and C.P. Bhambri discusses the nature of India's foreign policy. The discussion between Anjan Ghosh and Pranab Kanti Basu, on the one hand, and Madhu Prasad, on the other, would, we hope, be the first of a series of such discussions in future numbers of the journal.

M J K THAVARAJ*

The Overdraft Problem in Perspective

THE FUNCTIONS and powers of the State Governments (Provinces) attracted considerable attention even before the Republican constitution came into vogue. As the principal actors in the freedom movement, both the Indian National Congress and the Muslim League were in favour of wider autonomy for the Provinces. This was reflected in the joint resolution which condemned the limited autonomy conceded by the Government of India Act of 1935. Most of the Provincial Governments which deposed before the Sarkar Committee¹ demanded larger fiscal powers than were eventually incorporated in the Constitution. In fact, the emotional upsurge which followed partition swayed the proceedings of Consenbly towards greater centralisation.

The weakness of the fiscal foundation of the State Governments became obvious with every successive Plan which entailed increasing responsibility on the part of the State Governments for the provision and maintenance of infrastructural facilities, developmental programmes, social services and welfare activities. But, the Constitutional arrangements for fiscal transfers proved to be inadequate to meet the need of the States. With the given systemic constraints on resource mobilisation, the Centre has been making further inroads into the fiscal domain of the States and squeeze them of their limited resources. Basically, therefore, it is this yawning gap between need and availability of fiscal resources which is at the root of the problem of overdraft,

Overdraft is well-known in the world of commercial banking. It is a form of emergency accommodation (loan) provided by the bank to their dependable clients who are short of cash to meet their maturing obligations. Public enterprises and government companies avail of this facility as do their counterparts in the private sector. In the case of the Central and State Governments, it is the Reserve Bank of India, as the banker of the government, which helps to fill the resource gap. As for the Government of India, this gap is covered

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through deficit financing while the State Governments are required to run an "overdraft" with the RBI for that purpose.

The Central Government issues Treasury Bills to raise short-term funds to meet maturing current obligations. When it is unable to liquidate these Treasury Bills, the Government of India could dictate to the RBI to print currency notes to the extent of the outstanding Treasury Bills and place the amount at its disposal. This is a measure of the budgetary deficit of the Government of India. It is interesting to note that there is no legal or other restriction on the extent of deficit financing resorted to by the Central Government. It is not required to pay back the principal. Nor is any interest charged. Subject to its concern for stability, the Centre has an unlimited source of costless funds to cover its gap for rupee resources.

No such deficit funding facility is made available to the State Governments though the RBI is as much a banker of the State Governments as it is of the Centre. All that the RBI is required to do is to extend temporary accommodation by way of "overdrafts" within the limits set by the Centre. Normally these overdrafts are to be cleared by the concerned State Governments within the financial year. Pressed by financial stringencies, the State Governments have from time to time resorted to overdrafts from the RBI over and above the authorised limits. Hence, they are called "unauthorised overdrafts". Overdrafts outstanding at the end of a financial year are, by and large, a measure of the gap in resources most of which cannot be regarded as temporary. It is a residual gap after taking into account all the incomings in the financial year. As such, unredeemed overdrafts are symptomatic of the basic imbalance between need and availability of resources. The State Governments by themselves cannot liquidate outstanding overdrafts without cutting deeply into their committed or developmental expenditures. Sometimes, the Centre assumes responsibility for the liquidation of the overdrafts. Often, they convert them into medium or long-term loans involving burden of repayment and debt servicing in the future. Sometimes, they are adjusted against future payments of Central assistance to State Plans. In both cases, it would only postpone the day of reckoning by reducing the net resources at the disposal of the States to meet the rising tide of public expenditures. Thus, overdrafts represent the chronic imbalance between resources and responsibilities of the State Governments.

Eminent men of public affairs like Santhanam,² Rajamannar,³ Setalvad⁴ and so on, who were aware of the root causes of the progressive weakening of the fiscal foundations of the States, have suggested various measures for a drastic restructuring of the fiscal federal relations in India. Most of the earlier Finance Commissions have also drawn our attention to the basic maladies in the Centre-State

financial relations and restrictive influences and practices limiting the scope of the Finance Commissions. Most of the important recommendations of these men and bodies have fallen on deaf ears. The result is the rapid deterioration in the viability of State finances. Of late, some journalists and economists have been prone to look at the symptom rather than the root causes of issues and problems. They have branded the States burdened with overdrafts as those indulging in acts of gross fiscal "indiscipline" employing "backdoor methods" to augment their financial resources. At the same time, those who underline the basic maladies vitiating the fiscal-federal relations are characterised as "confrontationists". The fact that 16 out of 22 States, irrespective of their political affiliations, have resorted to overdrafts is indicative of the fundamental imbalance between powers and responsibilities of the States arising from Constitutional delineations and subsequent developments and fiscal practices. A look into the deeper fiscal realities will therefore be instructive.

The Original Sin

The property base of taxation is highly favourable to the Centre.⁵ Land is the mainstay of State taxation while industrial and commercial property is largely the preserve for Central exploitation. Land is limited in quantity and its capital value is deemed to be outside the purview of State taxation. In contrast, the industrial and commercial wealth and income increase with development and provide an expanding and elastic base for Central taxation. The Centre can also wield a commanding influence over commodity taxation which happens to be a common field. Consequently, Central tax resources have a built-in buoyancy and elasticity relative to its developmental responsibilities. The Centre is also bestowed with an exclusive command over foreign exchange and credit apart from its preeminence in borrowing from the banks and other financial institutions. The fiscal dominance of the Centre is therefore inherent in the powers and responsibilities delineated for the two layers of the government under the Constitution.

The Constitution proposed to alleviate the inequities arising from vertical fiscal imbalances through tax-sharing and grants-in-aid under the auspices of the Finance Commissions set up every five years. But, Corporation tax which became relatively more lucrative was excluded from sharable taxes. The Finance Act of 1959 excluded company taxes from income-tax. The surcharge on income-tax was also kept outside the divisible pool. Besides, the Centre has been more generous in conceding exemptions and deductions in respect of income-tax as compared to other taxes. Thus, the growth rate of income-tax, whose sharing with the States was obligatory, was curtailed by such erosion of the tax base. Taxes included under Article 269 such as those levied on railway passenger traffic,⁶

newspaper advertisements, etc., the net proceeds of which accrue to the States, have suffered similar neglect under the Central Government.⁷

The Centre has made several attempts to curtail the limited tax powers devolved on the States by the Constitution. In the domain of sales taxation, in the National Development Council meeting held in December 1956, the States had agreed to replace sales taxes levied by them on mill-made textiles, tobacco, including manufactured tobacco, and sugar by an additional excise duty (over and above the Central excise) to be levied by the Central Government the income derived from which was to be distributed among the States on the basis of consumption. But the additional duties on these commodities remained unchanged during 1956-1970 while Central excise on them had increased from year to year. The States began to feel that by surrendering these commodities to Central taxation they had lost some elastic sources of revenue. The issue was brought up before the NDC in December 1970 when it was agreed to convert specific into *ad valorem* duties, to raise the incidence of additional excise duties as percentage of value of clearance to 10.8 per cent in a period of two or three years, and to maintain the ratio of 2:1 between the yields of basic and special excise duties on the one hand and the additional excise duty on the other. A lot of dissatisfaction about the Centre's failure in implementing these agreements was aired in the conference of the Chief Ministers on sales tax held in September 16-17, 1980.

The prevailing dissatisfaction about the neglect of additional excise in lieu of sales tax has not prevented the Centre from making further inroads into sales taxation. In early 1981, in a conference of Finance Ministers, the Union Finance Minister proposed to expand the list of commodities on which additional excise could be levied in lieu of sales tax. The proposal met with stiff resistance even from the State Finance Ministers belonging to the ruling party at the Centre. More devastating is the proposal of the Indirect Taxes Enquiry Committee that the sales tax and octroi may be merged with Central excise.⁸

Moreover, the provisions of the Constitution are suitably amended to enable the Central Government to enlarge the list of "declared goods" which are deemed to be of special importance in inter-State trade and commerce. Sales tax that could be levied on declared goods is limited to a maximum of 4 per cent and that too only at a single point. The resource potential of the States is therefore eroded by enlarging the list of "declared goods." During the last couple of years, the Centre has resorted to steep increases in the administered prices of steel, cement, coal, oil, aluminium etc., rather than increasing the Central excise on these commodities. This has meant that a few thousand crores of rupees are mobilised every year behind the back of Parliament. More importantly, such large amounts are rendered non-sharable, thereby depriving the States of an

important source of revenue.

The grants-in-aid dispensed by the Finance Commission under Article 275 (i) are relatively small in comparison with the discretionary grants made by the Planning Commission and other Central departments under Article 282. The latter has accounted for more than 70 per cent of the total Central grants during the period 1951-1974.¹⁰ Dominance of the discretionary element in grants-in-aid does not mean a more liberal Plan assistance. First, a large part of discretionary grant was given outside the purview of the Planning Commission. Secondly, though the dependence of States on Central finances has increased, Plan assistance as a ratio of State plan has declined since the Fourth Plan.

TABLE I
CENTRAL ASSISTANCE FOR STATE PLANS

(Rupees in crores)

	Plan Size		Total (2+3)	(3) as % of (4)	Central assistance (amount)	(6) as % of (3)
	Central Plans	State Plans				
(1)	(2)	(3)	(4)	(5)	(6)	(7)
First Plan	533	1427	1960	72.8	880	61.6
Second Plan	2603	2069	4672	44.3	1344	64.5
Third Plan	4412	4165	8577	48.6	2738	67.4
Fourth Plan	8867	7367	16234	45.4	3575	48.5
Fifth Plan	20588	18715	39303	47.6	6000	32.1
Sixth Plan	48900	48600	97500	49.8	15000	30.5

As is evident from Table I Col. (5), if we leave the First Plan out of account, there has of late been a slight increase in the relative size of the State plan which accounts for nearly half of the total outlay under the Sixth Plan. Central assistance as a proportion of the plan increased over the first three plans and declined thereafter. This can be seen from Col. (7). This sharp decline in the ratio since the Third Plan is indicative of the squeeze on the States' resources.

Though the Gadgil Formula which governed Plan assistance during the Fourth Plan introduced an element of certainty along with specified criteria for allocation in Plan assistance which was earlier subjected to a great deal of political horse-trading, it also pegged plan assistance at a relatively low level. It cannot be said that the Gadgil Formula had eliminated the discretionary element in fiscal transfers. In fact, nearly 41 per cent of the gross Central transfers during the Fourth Plan period took place outside the Finance and Planning Commissions.¹¹ Moreover, the Gadgil Formula also meant a drastic reduction in the grant portion of Central Assistance. Since the Fourth Plan, loans have constituted about 70 per cent of Central Assistance. Expenditures which would normally have been financed

out of grant or equity capital if they were incurred in the Central sector were financed largely out of loan when included in the State Plan. This has led to an inordinate increase in the debt burden of the States. In fact, the outstanding debt on account of Central loans was less than Rs. 240 crores at the end of 1952. But, it has soared to the dizzy heights of about Rs. 21,373 crores as on March 31, 1982. Consequently, in the current budget for 1982-83, loans and advances to State Governments account for about Rs. 3863.7 crores of which Rs. 2700 crores will be paid back to the Centre by way of repayment and interest. The net loan is only Rs. 1163.7 crores.

The share of the States in the market borrowing has also declined over the Plans. During the 1960's the States claimed about 50 per cent of the market borrowing. But the share has declined to less than 25 per cent at present. In fact, out of the Rs. 22,000 crores of market borrowing envisaged under the Sixth Plan, only about Rs. 5000 crores are expected to be made available to the 22 State Governments in India. It follows that while the relative size of the States' Plans have increased over time, their share by way of Central assistance and out of market borrowing has been declining since the 1960's. When viewed against the slender tax base, the seriousness of the brewing resource crisis confronting the States will be obvious. This then is the constellation of the basic causes for the "overdraft phenomenon" which assumed serious proportions last year.

It should also be borne in mind that the immediate or the proximate cause for the acute resource crisis on the part of the States is the havoc played by the inflationary policy pursued by the Central Government. When the outlay under the Sixth Plan was envisaged, it was reckoned in terms of 1979-80 prices. But, as the Planning Minister has acknowledged, there has been a 20-30 per cent cost escalation in public investment during the two years (1980-1982). With the present trend of exclusive reliance on indirect taxes, inflationary financing and enhancement of administered prices of investment goods and economic infrastructural facilities, the upward pressure on costs of construction has continued. At the same time there is no indexing of resources transferred from the Centre. Therefore, the financial resources at the disposal of the States constantly fall short of the escalating expenditures. At the same time Central priorities for energy, transport and communication etc., cannot be easily ignored by the States. Abandoning or slowing down of continuing schemes may prove to be too expensive in the long run. At the same time, it will be politically risky for the Congress (I) Chief Ministers to ignore the new 20-point programme of the Prime Minister. Progressive State Governments have their own order of priorities in development, social services and welfare schemes. It is this urge to honour their electoral promise to the people in the face of declining resources that has prompted many State governments to resort to "overdrafts". It cannot therefore be

branded as a "backdoor" method used by those indulging in wilful financial indiscipline leading to fiscal anarchy. By the same token, those who seek enduring remedies for the basic maladies in fiscal federalism can by no means be called "confrontationists" just because the solutions demand a drastic realignment of fiscal powers in favour of the States.

Restructuring Fiscal Federal Relations

The above analysis reveals that overdrafts are the result of certain deep-seated maladies in fiscal federal relations in India. Even inflationary financing is a recurring phenomenon linked to the constraining influence of the deepening economic crisis. Yet, insofar as the recent spurt in overdraft is the immediate outcome of rising prices and the consequent escalations in the cost of living and in investment costs, it is necessary to link the quantum of Central assistance to indices of costs of living and of construction.

The next important measure is to restore Central assistance to the relative level reached under the Third Plan when it accounted for about 67.5 per cent of the State Plan outlay. This would imply that Central assistance will have to be more than doubled for the Sixth Plan period. Besides, at least 50 per cent of the market borrowing should also be made available to the States. It stands to reason that, given the predominance of the Centre in respect of the tax base as well as the elasticity and buoyancy of Central taxes, Central assistance should increase relatively to increases in the size of State Plan.

However, the main thrust of restructuring fiscal federal relations in India, from a long-term point of view, should aim at minimising the financial dependence of the States in respect of their revenue and capital requirements, considering the discretionary elements in Central transfers and ensuring a degree of equalisation which would progressively reduce inter-State imbalances in development. The first step in this direction is to augment the free resources of the State Governments. One way is to shift one or two tax heads from the Central to the State list. Central excise is one such tax which could be merged with sales tax at the State level. Such a merger would not violate the principle of allegiance. Yet, the current thinking in the country following the Jha Committee Report (1978) is in the opposite direction. The alternative course of action is to expand the "divisible pool" by including corporation tax, the entire proceeds of Central excise etc., so that a large bulk (say, about 75 per cent) of the net proceeds could be made available to the States. The actual distribution among the States could be entrusted to the Finance Commission based on an objectively determined eligibility index which gives due weightage to backwardness. The Finance Commission could be made a permanent body which may be also entrusted with the task of a periodic review of the Central finances.

Finally, a substantial part of the outstanding State debt to the Centre may be written off. Poorer States may be given greater relief. The rest of the loans should be rescheduled on easier terms. States should have access to foreign exchange to the extent of the foreign exchange component of their Plans. The NDC should have an important say in respect of external borrowing. Market borrowing should be equally accessible to the States as well as to the Centre. States could also borrow from the financial institutions and commercial banks. They may even be allowed to develop deposit banking of their own. Some of these changes would call for suitable amendments to the Constitution and fiscal practices.

- 1 Sarker Committee was a sub-committee of the Consimby constituted in 1948 to delimit the financial powers of the Provinces.
- 2 K Santhanam, *Federal Financial Relations in India*, Bombay, Forum of Free Enterprise, 1966.
- 3 P V Rajamannar, Report of the Centre-State Relations Inquiry Committee, 1971.
- 4 Administrative Reforms Commission, Report of the Study Team on Centre-State Relationship, Delhi, 1968. volume 3 (Chairman, M C Setalvad).
- 5 Report of the Taxation Enquiry Committee, Government of Kerala, 1969, ch. 1.
- 6 The tax was repealed with effect from April 1, 1961. The amount made over to the States was pegged to Rs. 12.5 crores until 1966 since when it has been raised to Rs. 16.25 crores.
- 7 Report of the Taxation Enquiry Committee, *op cit*, ch. 2.
- 8 Report of the Indirect Taxes Enquiry Committee, 1978. The State governments were not consulted before defining the terms of reference of this Committee as required under Article 274 of the Constitution.
- 9 Sixth Amendment of 1956 which modified Article 386 (3) of the Constitution.
- 10 M J K Thavaraj *Financial Management of Government*, Sultan Chand and Sons, Delhi, 1978, ch. 4, Table VIII.
- 11 *Ibid*, Table IX.
- 12 *Ibid*, pp 137-139.

ASHOK RAO*

Government Policy and the Crisis in Power Equipment Industry

THE POWER crisis which afflicts the Indian economy undoubtedly owes its origin to a number of contributory factors. The shortfalls in achieving adequate amount of electrical power have been attributed by K.L. Rao, a former Union Minister for Irrigation and Power, to "inadequate funds, absence of Central authority, improper linkages between the construction materials like steel and cement and the targets set for the completion of power stations,...an inadequate growth of the fuel sector, as in the case of lignite, multiplicity of organisations dealing with the subject and finally inadequate skills and expertise".¹ Among all these factors, however, inadequate investment in the power sector takes the pride of place.

Electric power is a capital intensive business. Shortage of electricity is essentially a shortage of capital. A power station, if it is a thermal plant, has as its backward linkage coal mines, railway infrastructure etc., and, if it is a hydro plant, a dam and the cost of land that is submerged; in both cases the forward linkage is the transmission and distribution system.

The investment in the power sector was Rs. 320 crores in the First Plan (16.3 per cent of the total Plan expenditure), Rs. 625 crores in the Second Plan (11.2 per cent of Plan expenditure), Rs. 1,334 crores in the Third Plan (15.6 per cent of Plan expenditure). In the three annual plans taken together Rs. 1,817 crores, or 27.43 per cent of the total plan expenditure, were devoted to power. The corresponding figures for the subsequent plans have been as follows: Fourth Plan, Rs. 2,523 crores (16 per cent of the total), Fifth Plan, Rs. 7,294 crores (18.6 per cent of the total). In the Sixth Plan it is proposed to spend Rs. 15,750 crores (22.6 per cent of the total) on power. Thus, while in absolute amounts the outlay on the power sector has increased substantially during the various plan periods, in terms of percentage of the total plan expenditure, there has not been any dramatic jump.

*President, Federation of BHEL Executives' Associations.

It is interesting to compare this with the physical targets and actual achievements. The First Plan had a target of 1.3 million KW, the Second 3.5 million KW, the Third 7.04 million KW, the three annual plans 5.43 million KW, the Fourth Plan 9.26 million KW and the period 1974-1979, 12.50 million KW. The percentage shortfalls have been 15, 35, 24, 50 and 18 respectively. If we carefully examine these figures we would find that the shortfall of the Fourth Plan can largely be attributed to the inadequate capital outlay. With an outlay of Rs. 1,817 crores, which was 27.43 per cent of the Plan outlay, we tried to add 5.43 million KW in the three annual plans, but in the Fourth Plan, with Rs. 2,523 crores or only 16 per cent of the total plan outlay, we tried to add 9.26 million KW; it is not surprising that there was a 50 per cent shortfall in the target being achieved.

The committee on power, better known as the Rajadhyaksha Committee, has estimated the capital requirement in the power sector at between Rs. 120,000 crores and Rs. 154,000 crores over a period of 10 years at the current price, i.e., on an average Rs. 13,000 crores per year.

In physical terms, the working group on energy (N B Prasad Committee) has given the targets of 42 million KW, 60 million KW, 84 million KW and 128 million KW for the years 1982-83, 1987-88, 1992-93, 2000-01 respectively, ie, a growth of about 5,000 MW per year, which is about the annual capacity of BHEL. To get this amount of power, for the thermal component, we would have to increase the coal output from 100 million tonnes to around 500 million tonnes by the year 2000 in order to provide the 200 million tonnes for the 75 million KW of thermal power. In addition, investments would have to be made in the railway infrastructure and civil works for the hydro power.

The question that follows is: Where is the money to come from? The funding of the power industry is largely from the state plan outlays. Borrowings of the state electricity boards from the state governments, as a percentage of total capital employed, increased from 80.5 in 1974-75 to 83.8 in 1978-79. Broadly speaking, there are three types of electricity boards insofar as financial working is concerned. First, there are boards which cannot meet even operational, maintenance and depreciation charges. Second, there are boards which are able to meet operational and maintenance charges as well as depreciation but not interest. A majority of the boards are in this category. The third consists of those that are able to meet all the charges. There are hardly any boards which have a surplus after meeting all these charges.

To get an idea of the financial crisis let me quote a few figures: The contingent interest liability at the end of 1977-78 for all boards was around Rs. 1,000 crores, with U P exceeding over Rs. 200 crores. The Venkataraman Committee (with R Venkataraman, the then

Tamil Nadu Minister for Power as chairman) recommended that the electricity boards should earn a gross rate of return of 11 per cent on the capital employed, if not immediately, at least over a period of 10 years. About one and a half decades later the World Bank dictated that the rate of return should be 11 per cent. Even in 1977-78 the average gross rate of return of all boards together was not more than 7.9 per cent, with UP having as low a return as 0.4 per cent, Bihar 3.6 per cent, Orissa 2.9 per cent. Maharashtra and Madhya Pradesh were the only ones earning over 11 per cent, i.e., 15.5 per cent and 12.5 per cent respectively. The net loss made by all boards together in 1974-75 was Rs. 144 crores and in 1977-78, Rs. 158 crores, with the UP board's loss growing from Rs. 58 crores to Rs. 96 crores.

Where then does the industry gain the confidence to accept the World Bank terms when even after ten years the Venkataraman Committee's recommendations cannot in practice be implemented? The question is answered indirectly by the Rajadhyaksha Committee when it states: "There are today no principles guiding the power tariff structure and decisions are made largely on grounds of political expediency coupled with some uninformed thinking on the correlation between cheap power and economic development of a state." Now, 64 per cent of the power is consumed by the industry and 14 per cent by agriculture. The smaller sector, the domestic and commercial users are subsidising to the tune of crores of rupees the large industrial sector. Paradoxically, the more power intensive the industrial unit, the higher the subsidies. Regarding agriculture, the Rajadhyaksha Committee states: "In particular there is considerable evidence to suggest that in rural areas the beneficiaries of the power subsidies are the larger and more affluent farmers who could well afford to pay the real cost of their power supply." What all this implies is that the government has doled out huge subsidies to the big business and the rich landlords. But it does not follow that if the government raises the power tariff, under the dictates of the World Bank and the IMF, these classes will at all feel the pinch. Since they can "pass on" higher costs to the consumers, charging higher prices, the raising of power tariff will have general inflationary consequences, rather than specifically affecting these particular classes.

Moreover, as the Rajadhyaksha Committee itself notes, low tariffs are not the only cause behind the losses made by the state electricity boards. Past policies regarding the import of power equipment have also been a contributory factor to these losses. In the earlier plan periods the accent was on bilateral aid. In the power sector we received aid from 23 countries and we imported equipment from 18 countries. What were the consequences? The most significant have been a lack of standardisation and a big inventory of spares.

On the thermal side alone there are 20 unit sizes between 25 MW and 500 MW. (These are 25 MW, 25.5 MW, 28.5 MW, 30 MW,

32 MW, 26.6 MW, 50 MW, 60 MW, 62.5 MW, 63.5 MW, 75 MW, 100 MW, 110 MW, 120 MW, 140 MW, 150 MW, 200 MW, two varieties of 210 MW, 500 MW). Multiply these by the number of manufacturers for each and you have a complete collapse of standardisation. No advanced country has developed without taking advantage of standardisation, particularly in such a capital and technology intensive industry as power generation.

When there are so many variations there has naturally to be a large inventory of spares. The Rajadhyaksha Committee observes about imported spares, "The manufacturers (i.e., foreign suppliers) require the users to abandon the old equipment and replace it by the new design or quote a very long delivery period at exorbitant rates." One of the principal causes of the poor financial performance of the electricity boards, the Rajadhyaksha Committee points out, is the high level of inventories. It is a strange situation that on the one hand the imports of power equipment would force a high level of inventory which would cause poor performance and on the other hand the state electricity boards would be expected to earn a high return to repay the loans caused by the import of equipment. And yet, incredible though it may seem, the very same Rajadhyaksha Committee has recommended imports of power equipment apart from making a number of other suggestions that would irreparably damage the indigenous power equipment industry.

Power Equipments and the Rajadhyaksha Committee

Electrical power cannot be stored. Therefore, the power generating capacity has to be anticipated and built in advance of the actual requirement. Also, there are long gestation periods in the commissioning of power plants. The other significant characteristic is that larger size Units are being manufactured and the economic efficiency of power equipment manufacturing units has grown so large as to necessitate mergers and takeovers. Finally, the turbine industry is a highly cartellised industry. The studies conducted by the United Nations, Michigan State University, London Trade Policy Research Centre etc, affirm this and state, for example, that the economic efficiency of production is 12,500 MWe per year for thermal power alone and the number of manufacturers has been reduced from five to two in Britain and from four to three in West Germany. As a consequence no country in the world allows the import of electrical power equipment when it has the manufacturing capability. The only exception is the US and even there 50 per cent of the market is reserved for the indigenous manufacturers.

In direct contrast, in India, electrical power equipment is placed under the category of Open General Licence, and the Rajadhyaksha Committee claims that BHEL with a production capability of only 4,500 MWe of thermal plant per year is in the Indian

milieu, too big and any expansion would make it unwieldy and sluggish. On that basis it recommends that "there is a case today for setting up one or more facilities either in the public or private sector to produce equipment which is today BHEL's exclusive preserve so that competition is fostered." The crowning glory of the recommendation is: "In order to derive the benefits of standardisation the foreign collaborator could be the same as BHEL's."

This is a recommendation made perhaps out of ignorance since BHEL has an installed capacity of 1,310 MW (Bhopal 540 MW and Hyderabad 770 MW) for Units of sizes below 200 MW. The actual production has been 434 MW in 1978-79, 230 MW in 1979-80 and 320 MW in 1980-81; the extent of capacity utilisation has been 33 per cent, 17.5 per cent and 24 per cent respectively! To add insult to injury the Government of India now proposes to license the private sector to manufacture turbines upto 60 MW.

In the case of large unit size, BHEL had just about stabilised its manufacturing capability to produce 200 MW thermal power plants. The CEA was also developing standardised layouts for 200 MW Units. The idea was to stabilise around the 200 MW Unit size. In fact, even the USA and the USSR exploited the 200 MW Unit size. Suddenly in 1975 BHEL entered into a collaboration for 500 to 1000 MW range, extended it to 200 MW and now collaborates, across the board from zero to 1000 MW. In addition to the thousands of crores of rupees that are now being paid as lumpsum and royalty, BHEL's import content has shot up to an all-time high of 67 per cent of the material requirement.

Even before BHEL can begin to implement its highly priced collaboration, the Rajadhyaksha Committee comes up with a unique recommendation that four sets of 500 MW, i.e., 2,000 MW, should be imported in the next five years. Once again the highlight of the recommendation is that the import should be made from the collaborator of BHEL.

On the hydro side, BHEL had an installed capacity of 1,025 MW (400 MW in Bhopal and 626 MW in Hardwar). As against this, the actual production was 895 MW in 1978-79, 441 MW in 1979-80, 724 MW in 1980-81. And the Rajadhyaksha Committee recommends that "if there is a risk of equipment from BHEL being delayed, orders on foreign suppliers should immediately be placed". What a novel argument especially when one realises that in the case of hydro projects the civil works constitute 70 per cent of the investment! As for deliveries being the basis, example after example can be given of equipment being supplied before civil works are completed (like Kadana Reversible turbines supplied in 1976-77 and awaiting erection); on the other hand there are examples where foreign suppliers have delayed deliveries. In fact, in complex products, the quoted deliveries mean nothing and are at best guidelines.

Similarly, the Rajadhyaksha Committee recommends imports

of "sophisticated protection equipment" on the grounds of inadequate manufacturing capability. The Committee, in its shopping spree, recommends 200/400 KV bushings and so on.

That is not all; the Committee computes a table comparing the imported and indigenous power plants in term of outages, availability etc. There is no methodology on how these figures were computed. In a complex system of over ten thousand pieces of equipment, not all of which are supplied by the same manufacturer, how is this comparison made? All that such a comparison does is to put illegitimately the clamour for imports in a favourable light.

Capturing the Indian Market

The Rajyadhyaksha Committee therefore generously offers on a platter to Siemens not merely another collaboration but an immediate purchase of 2,000 MW made up of four sets of 500 MW each on the flimsiest of arguments which do not stand one moment's scrutiny. And Siemens is already a recipient of crores of rupees by way of royalty, lumpsum and purchase of components by BHEL. Other multinationals faced by the same acute recession as Siemens have obviously not been sitting idle. Taking note of the Indian government's new-found generosity towards multinationals, they too are making a determined bid to enter and capture the Indian market.

ANSALOD makes a determined bid, quotes dump prices and captures the Rs 120 crore Ramagundam Project through the international competitive bidding imposed by the World Bank. NEI, backed by British commercial credit and the British government, captures the Rs. 1,000 crore Singrauli Extension (renamed as Rihand) from NTPC. Hindustan Brown Boverie makes a bid for a Rs. 1,000 crore plant through the Maharastra State Electricity Board and Mitsui for another Rs. 1,000 crore plant through the U.P. State Electricity Board. And BHEL is left high and dry having paid millions of Deutch Marks as lumpsum and having expanded its turbine works investing Rs. 50-60 crores. Even worse, it is being bypassed after having killed its own R&D, as in the case of surface condensers to get the back-to-back guarantee required by the World Bank.

The situation for BHEL today is such that even if the entire 19,300 MW of the remaining plants to be tied up in the seventh and the eighth plans are given to BHEL its capacity utilisation would be only 50 per cent. On the hydro side, while there are 55 sets to be tied up and BHEL has a capability of delivering 22 sets, its orders are tapering off after 1985. In fact, if no more orders are received soon, BHEL will have to pull down its shutters in the hydro-power equipment manufacture.

The same fact is in store even as regards other equipment. For example, in the case of H. T. circuit breakers, the capacity utilisation

according to the AIEI Handbook of Statistics, was around 44 per cent in 1977-78 and around 64 per cent in 1980, and all the major manufacturers have obtained independently collaborations for the latest sophisticated SF 6 technology. Despite this, it appears that the Andhra Pradesh Electricity Board alone has an indent for the import of 84 SF6 circuit breakers. Similarly, examples can be quoted for other products.

Even if imports were cheaper than domestic production there would still be an overwhelming case for giving preference to domestic producers when unutilised domestic capacities already exist, on the grounds of expanding domestic employment, nurturing skills, developing technical know-how and promoting long-run self-sufficiency. But the amazing thing is that this craze for going in for imports despite the availability of vast unutilised domestic capacity is not even based on any serious cost calculations. Such cost calculations as are made in a few cases are extremely shoddy and superficial. In fact, if the correct cost to the nation is to be computed for the imported machines, we should add to the original cost, the cost of spares over the 40 year life of the equipment plus the inflation and the shadow price of foreign exchange. That figure would be a sizable multiple of the original price of the machine.

Distortions in Priorities

In the sphere of power planning there have been two serious distortions. These are the neglect of hydro-power and the rushing in for the large-size units in thermal power.

Hydro-power is renewable and pollution-free. The hydro-turbines are low speed machines and therefore less prone to outage. The working group on energy (N B Prasad Committee) has stated: "Hydro potential would represent an annual bonus of nearly 250 million tonnes of coal." Yet hydro-power has been neglected and the share of hydro has gone down even though the potential in the country is around 75,000 MW at 60 per cent load factor. Perhaps one reason for its neglect is that the indigenous capability in this area is one hundred per cent!

Another serious distortion is the import of 500 MW sets on the rationale of economies of scale. Before examining this rationale it would be worthwhile recalling the recommendation made in 1965 by the Energy Survey of India Committee. With regard to pressure cycle and unit size it said: "The right course for India is to be bold in respect of pure size, *but cautious in respect of pressures and temperatures. The right policy is almost certainly to advance in size as rapidly, but no more rapidly than is consistent with a low import content of plant built in India.*" This eminently sensible recommendation is thrown overboard in its entirety. First, BHEL goes in for a collaboration that pushes the pressure cycles and temperatures upwards, throwing the above

quoted word of caution to the winds. Next, advance is made in Unit size on the basis of complete imports. Thus what was precisely warned against in 1965 has become the accepted policy today. Such is the progress we are making: One step forward and two steps backward!

The very argument of economies of scale has three pitfalls. The argument is defective, first of all, since most energy intensive industries like aluminium, fertilizers, steel etc. are being encouraged to set up captive power plants. Secondly, given our maintenance and operational capabilities, the quality of coal etc., the break-down factor is serious and has to be reckoned with. In the case of 500 MW the loss of revenue for one day's outage would be Rs. 39 lakhs if the cost per kwh of electricity is 30 paise. But, the most serious pitfall is that this economies of scale argument is devoid of any meaningful technical and socio-economic rationale.

On the technical side, let us examine the experience of the U S A and the U S S R. The Federal Power Commission of the U S A lays down that "a 50,000 MW system made up of 200 MW units would require reserve capacity equal to 7.5 per cent of the total, and this share would have to increase to 10 per cent with 400 MW units and 15 per cent with 800 MW units". The tenth Annual Electric Power Survey of India states: "The Systems have been forced to operate at very low frequencies sometimes at 48.5 cycles which has highly deleterious effect on the steam turbines and also some frequency sensitive industries like fertilizers etc. It is necessary that a system design should provide adequate spinning reserve to take care of unforeseen outages in the system". And so there is no spinning reserve in India but we go in for a wholesale import of 500 MW units. The practice in the U S S R is to take a ratio of 50:1 between the maximum unit system capacity and the maximum unit size. There is in India not a single inter-connected grid which can accept, by Soviet norms, a single 500 MW set, leave alone two or more. Thus, on the technical side we are going to defy the experience of both the U S A and the U S S R.

On the socio-economic side, India is basically an agrarian country. The industrial locations still follow the colonial pattern of metropolitan cities and urban agglomerates. The entire Union territory of Delhi cannot consume the output of a single 500 MW turbo generator. Even an industrial belt like DVC has a one-third load throw-off between day load and night load. One can well imagine what large spatial areas a single 500 MW turbo-generator will command. What will then happen to the transmission losses which are already 20 per cent?

Having committed ourselves to 500 MW sets, two at Rihand, two at Annpara and so on we are now having the CEA to look around for a foreign agency to examine how to evacuate these large blocks of

power. A global tender has been floated. Foreigners will come and tell us that to transmit this power we need to import lock, stock and barrel a 765 KV, or a 1050 KV A C system or a High Voltage Direct Current (HVDC) system since no Indian manufacturer make this equipment or has a collaboration for it. Most likely, the foreign experts would prefer the HVDC system since several European multinationals have joined together to form a 50 Cycle group and researched the HVDC system only to find that there was no demand for it in Europe. Some idea of the costs can be had from the fact that if 4,000 MW are to be transferred South and 8,000 MW towards the West, the costs of the three alternatives would be:

- i) A. C. All 765 KV lines—Rs. 8,914 crores
- ii) A. C. All 1050 KV lines—Rs. 10,011 crores
- iii) High Voltage D. C. system—Rs. 9,321 crores

Having put the cart before the horse we shall then look for soft credits to further mortgage this nation!

Complaints against BHEL

All this of course does not detract from the fact that many of the complaints against BHEL made by its customers are quite legitimate. BHEL was established primarily for the Indian market and to serve the Indian people. But the Indian customer is a second class citizen. If a Libyan machine or a New Zealand machine is under manufacture, everybody from the chairman to the unskilled worker is put on the job. Special cells are set up, effective monitoring is done. And to the site everybody who is anybody goes for inspection; that includes even persons holding posts like Chief of Security or Director of Personnel etc. There is of course nothing to complain about in all this, but the point is that all this is done for the export order, and never for the Indian customer. There is no doubt considerable merit in the complaints of the state electricity boards.

Another legitimate complaint is poor quality. Quality is too complex a question. Can one really expect Indian companies which work on imported technology and materials to ensure quality? For example, BHEL imports, as stated earlier, 67 per cent of its consumption. Can quality be ensured when there is no *in situ* inspection and when there is a pressure at the works to allow deviations and concessions to meet delivery schedules? Then we come to technology. This is imported wholesale and repeatedly. In fact, there is a premium on technology imports. It is not possible to ensure the optimality of design in a technologically complex machine when the design is made to German, British or Japanese standards and design criteria. After all technology is location specific. We are not talking about the first law of thermodynamics in its universal application; we are talking about specific situations and applications. The consequence is that the indigenous technological capability does not exist and we get

caught in collaboration syndrome. When the machine does not work, a game of trial and error begins because we do not know the scientific basis on which the collaborator chose particular parameters. For example, in BHEL, R&D engineers found that the repeated failures in Fans was due to faulty designs of the collaborator, M/s. KLK. Thus complex technological products cannot be made to a high calibre without technological development. There are no short-cuts. But to be fair to Indian engineers, it should be added that, with all the constraints, they are doing an excellent job. There are several examples where BHEL machines are performing excellently. The recent NTPC Singrauli station is one such example; another is Vijayawada. In both cases we would find that the managements of these utilities have put in a lot of effort in proper supervision and monitoring. It is possible with team work to produce excellence. There are also examples like Gangwal UBDC where BHEL engineers have had to open up a Canadian General Electric machine and change the design from concentric supports to eccentric supports for the thrust pads.

So the complaints against BHEL cannot be used as an argument for promoting equipment import or for inviting multinationals. In fact, the foreign suppliers are not going to bring personnel from abroad when skilled manpower is available in India. The institutions like BHEL, CEA etc. will heavily lose manpower and skills because the multinationals would be able to pay better. Those that remain would be a demoralised lot. It is a great struggle to build institutions, but it takes little effort to destroy them.

1 Dr. K. L. Rao, *Cusecs Candidate*, Delhi, 1979.

MAITREYI CHAUDHURY*

Sociology and Studies on Women

THE LAST few years have witnessed a welcome upsurge in studies on women. The women's movement too has acquired a new political urgency. These are related facts. Attention has been drawn to the oppression of women not because the Indian academia decided to do so but because women themselves strove to focus attention on their plight. Today a recognition (even if limited) exists that the status of Indian women is a shameful one and that something should be done to redeem the situation. "Rape", "dowry", "female infanticide", "eve teasing" are issues which various women's organisations have taken up. What is lacking however is a clear theoretical understanding and consequently an effective practice. An adequate political strategy for change can be built up only on a correct analysis of women's status in Indian society. An impression has gained ground that "rape" and "dowry" are obnoxious but peripheral phenomena. Simultaneously, views are being expressed (though by a select few) that the basic contradiction is that between man and woman. Yet others view them as social evils of a transitional stage which would be on their way out with the onset of 'modernisation'.

Sociologists for the most part belong to the last category. This paper attempts, albeit briefly, to review the dominant sociological trend of incorporating the 'modernisation' model in women's studies. This orientation belongs to the established tradition of Indian sociology, which, despite occasional attempts to reject the model, has not been able to shake it off completely. Thus, important as it is to refute the claims of 'neo-Marxists' and feminists, it is of particular pertinence to deal with modernisation theories which persist in maintaining a firm grip on Indian sociology, including women's studies.

In this paper, we would first seek to delineate the basic assumptions, concepts and indices of modernisation theory. This would enable us, secondly, to understand the use of modernisation models in women's studies with reference to (a) its dominant choice of

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research area, and (b) the method, concepts and the indices opted for.

Modernisation Theory

Theories of modernisation do not form one homogeneous entity. Variant trends exist. But a fundamental unity is apparent in the basic premises, method and concepts. Modernisation refers to a process of change. Not any kind of change but a change towards "those types of social, economic and political systems that have developed in Western Europe and North America".¹ Sociologists have defined modernisation variously but within the framework of an evolutionary perspective which involves a multi-linear transition of developing societies from "tradition" to "modernity". What is "Western" is "modern".

The Western model of capitalist development is unquestioningly held to be universally valid in bold disregard of history. Mystifying the essentially exploitative content of colonialism and imperialism, Indian sociology expectantly awaits the completion of "modernisation" in India. The problem is seen as only one of time lag. Hindrances are perceived in the form of the obtuse "traditionality" of the Indian man and woman.

Modernisation theory's ahistorical approach is compounded with the use of abstract value loaded concepts as tools for the dissection of social processes. Polar concepts are used in the typical tradition of Western sociology. Weber and Parsons themselves have used polar concepts to depict and analyse reality. Status and contract, *gemeinschaft* and *gesellschaft*, mechanical and organic solidarity, informal and formal groups, primary and secondary groups, culture and civilisation, traditional and bureaucratic authority, sacred and secular associations, military and industrial society, status and class—all these attempts represent as many attempts to "group the structural change of the institutional framework of a traditional society on the way to becoming a modern one".² Parsons' scheme of value orientations catalogues the possible alternatives: particularism versus universalism, ascription versus achievement, diffuseness versus specificity.³ Indian sociology has its indigenous contribution of rural and urban, caste and class.

Polar concepts are inherently static and subsuming. The fundamental question arises as to what exactly constitute "tradition" and "modernity". Srinivas defines "modernisation" as an amalgam of a "disquieting positivist spirit"; "a revolution in communication", "urbanisation", "spread of literacy", "media exposure", "wider economic participation", "mobility".⁴ Which of them is the cause and which effect or are they both at once? The question remains unresolved.

This inability of Western sociology to find objective criteria to discriminate between the various elements in society leads to

subjectivism. Thus variables and indices are chosen in a chaotic and arbitrary manner. Madan and Verma's comments are illustrative: "Because of its multi-dimensional character development does not lend itself to empirical investigation as a totality. A more manageable procedure is therefore to choose only one particular aspect of it for study and to add to that some other suitably selected dimension as an explanatory variable."⁵

Social analysis boils down to "manageable procedure" and "explanatory variables". The pity of it is that while American sociology has fallen prey to what Becker called "measurement fadism" using popular tools of measurement, Indian sociology cannot even claim to use any vigorous statistical measurement. Most studies thus become statistically insignificant and theoretically questionable.

Since contemporary events are more likely to provide the kind of data needed, the approach involves a shift of emphasis from history to studies of human behaviour, which is afterwards reduced to what is called "psychologism", to the neglect of the social aspect. Statistical correlations are passed off as sociological explanation. Attitudinal responses are deemed more important than structural changes.

The lapses of the modernisation model can be traced to the idealist tradition of Western epistemology. Boggled down in a structural functionalist framework (notably Parsons') it is obsessed with the mutual compatibility—the structural imperatives—of the various parts of society. For example, in a modernised society, the "instrumental role" of the man earning a living in the competitive world is set off with the "expressive role" of the woman providing "affectively" rewarding functions in the form of secure domesticity. This perhaps leads us to a clue as to why Indian women's studies are so full of 'role conflict' studies.

Its basic idealist premises also lead to an untenable emphasis on the 'values' of role incumbents as heralders of modernisation process. The methodological argument of modernisation theories, in other words, seems to be based on the assumption that a modern set of "pattern variables" initiating role change—action patterns—would in turn send reverberations through the entire social, cultural and political structure of developing societies.

Women's Studies: Choice of Research Area

Abiding, as they do, by the basic tenet that 'modernisation' is all beneficial it is no surprise that the sociological literature on women gives the impression that the status of the Indian woman has undergone a marked improvement. Modernisation, it seems, has ushered in a new era for the Indian woman. The view tends to confirm certain widely held beliefs about the increasingly active role women are playing in various spheres of public and professional life. However, the only observable hitch appears to be the dual role of the

woman; the "traditional" role of woman, as mother, wife, daughter or daughter-in-law as the case may be, conflicts with the 'modern' role of a working woman. This, in brief, sums up the basic trend of women's studies in Indian sociology.

Following the plan outlined initially, we shall seek to probe into (a) the choice of research areas and (b) the choice of method, concepts, indices, situating all in the basic modernisation model. Since they essentially form an interrelated whole, a certain degree of overlapping may occur in the ensuing discussion.

The very titles of the books on the status of women reveal a systematic pattern.⁶ Words such as "changing", "western" "educated", "transition", "modernising" recur. The basic concern of the studies is the nature of evident change in the lives of the Indian women. A close scrutiny would reveal that most of these studies are confined to only certain sections of Indian women. Middle class and upper class women, who traditionally did not work but who now do, form the usual subject of study.

This selective study is not incidental. Though not always spelt out, a deep-rooted rationale exists behind such an approach. This stems from the basic assumptions of the modernisation theory that modernisation involves a diffusion of certain values and attitudes initiated by the elite of society which subsequently percolate down. Kapur reflects this understanding: "The changes in the attitudes of the middle class educated working women were also studied because it is assumed that the attitude change like the family change studied by Kirkpatrick (1963, p 144) is initiated at the level of middle and upper middle classes, and what is thought of here percolates into other classes and accelerates the process of social change and might be an indicator of future changes in the strata of the social system".⁷

Andrea Menefea Singh's observations in this context confirm the above: "The most widespread sampling technique among sociologists is to select a random or stratified sample of women from certain offices, professions or universities in order to measure the changing roles and attitudes of women. The reason for selecting women from offices, professions or universities is that it is assumed that these are the women in the forefront of changing roles and attitudes within the wider society and who are and who will be leaders of public opinion. Thus, women who pursue higher education and/or modern occupations are considered both an index of change and predictions of trends among women in the wider society."⁸

The logic of the argument is two-fold. One, that women's employment and the consequent change in women's role and attitudes lead to an improvement in the status of women. Two, that modernisation is initiated at the top and the process, which is all beneficial, percolates down.

The validity of the above thesis comes into serious question

when we consider that the large mass of women in India has always been part of the labour force. Moreover, the large majority of them are illiterate, thus negating any relationship between formal education and employment. Finally, most women do not even control the money they earn.

As for the second point, increasing evidence is appearing to reveal as false the conventional assumptions that 'modernisation' positively affects the lives of women in all sections of society.

Boserup's *Women's Role in Economic Development* inspired a number of supportive case studies.⁹ The brunt of the argument in these studies has been such that it has contradicted the notion that 'Westernisation' and 'modernisation' can itself liberate women. Urbanisation, mobility and the conversion into cash economy did not bring unalloyed benefits, but in effect cut woman off from their traditional economic and social roles and thrust them into the modern sector where they are discriminated against and exploited. Urban women today are the main participants in the so-called 'informal sector' which involves the most menial of jobs, including prostitution. This condition, in turn, increases female dependency.¹⁰

Choice of Method

The predominant structural functionalist orientation of modernisation theories has been noted already. Logically, the central concern of modernisation studies revolves around the maintenance of societal equilibrium. Operating with the Parsonian model of 'pattern variables'—value orientations, the mutually reciprocating rights and obligations of role incumbents—sociologists' main thrust in women's studies tends to be confined to the ensuing "role-conflicts"¹¹ with the onset of "modernisation."

What is of disturbing importance to the sociologists is the psychological trauma of the working woman, not the societal arrangement leading to the trauma. The study is of the manifestation, not of the cause. Much of sociological explanations are thus reduced to descriptions.

Equipped with ahistorical and in essence static models, Indian sociologists unhesitatingly impose these models on the study of Indian reality. Chakraborty, in her study on the role conflicts of the Indian woman, thus writes: "What Parsons says about the western society is equally applicable to our society too as it is passing through the process of modernization and industrialization."¹²

Chakraborty's works can be taken as a typical example of sociological writings. She borrows heavily from Parsons', Merton's, Goode's writings on role conflicts. For example, in her study on the conflicting worlds of working mothers, she prepares an "attitude scale" required to measure "the respondent's level of adjustment or the intensity of conflict". She uses Fogarty's items for measuring

women's level of commitment towards the pursuit of a career.

We will illustrate Fogarty's selection of five areas of dilemma arising in a situation of role conflicts to illustrate the lopsidedness built into the method. The identified areas are the following:¹³ (1) dilemmas arising from sheer overload; (2) dilemmas from experiencing in one's environment strongly conflicting ideas and directions about what is considered right and proper in a given area of behaviour; (3) dilemmas caused by conflicts within oneself about whether one is being a good person (good human being, good wife and mother, good woman) in leading a certain type of existence; (4) dilemmas produced by conflicts in obligations, attachments, desires, and so on, relative to one's network of relatives, friends and associates; (5) dilemmas due to the conflicts between roles that may be variable in their demands at different times, e.g., the marital role's demands in relation to the work demands of each partner at different points in the life cycle.

The dilemmas pertain basically to the subjective conflicts suffered by the woman. No reference is made to the social whole within which the woman is situated. The dilemmas indicated are facts, neither fallacious nor untrue. What they are, in essence, are half truths, distorting, mystifying and often concealing the whole, of which these dilemmas are a manifestation.

In a class society, women necessarily belong to different classes. The oppression of women obviously manifests itself differently in different classes. Similarly the priority of problems differ. What is of urgency for much of the working women in India today are equal wages, retrenchment and maternity benefits, creches, security, health, sanitation.

Indian sociology is not concerned with these problems; it concerns lie elsewhere. If the problem itself is diagnosed as only that of 'ambiguity in social values, moral norms and cultural standards', all transitory, then the solution is self-evident.

Concepts and Indices

Western sociology's failure to find an objective criterion to isolate the determining force in society, coupled with its neglect of history, leads to the usage of 'concepts' abstractly, isolated from their structural content. Indian sociology, having incorporated Western methods, has fallen prey to the same problem.

Srinivas, in his discussion on the "Changing status of the Indian woman", concludes that "in essential precondition of women's (or for that matter men's) breaking out of the 'status trap' is migration to urban areas, and the bigger and more cosmopolitan the urban areas the easier the transition".¹⁴

The underlying assumption is that greater freedom in life style that would result with a breaking out of one's family or caste

nexus will bring a change in woman's status. Fundamental questions as to why women migrate to urban areas, what are the options they are presented with, what happens to them are never raised about her. Chandrakala Hate observes that "state policy of secularism and other influences like urbanization and modernization are slowly permeating and a cosmopolitan spirit is to be seen among the women". She also asserts that "with modern opportunities thrown upon her in various fields along with labour saving devices, she can take her place as an independent honorable human being contributing her might to the onward march of humanity".

The ambiguity in the usage of concepts like 'urbanisation' and 'secularism' is baffling. This ambiguity of concepts makes itself evident in the indices sociologists use to ascertain the degrees of modernisation.

Seth, in her study of modernisation of the Indian woman, states various definitions of modernisation on which she bases her study. One of the definitions is that of Ward and Rustow who by modernisation refer to a process of "social and cultural change", "industrialisation", "secularisation of ideas", "technical education", "achieved status" and a "higher standard of living". The arbitrary and chaotic assortment of indices is reflected in the indices Seth sets to define a modern woman. Seth states that in India, "woman may be called modern" (1) if she asserts herself increasingly against the authority of traditional figures like father or husband, (2) if she participates actively in mass media, (3) if she does not involve herself deeply in the ritual and worship aspect of religion, (4) if she takes cognition not only of the immediate environment but also of the outside one, that is inherent in "extra local conditions". If the indices for measuring modernisation are confined to attitudinal and behavioural patterns, this is in keeping with the basic assumptions of society as a given and individuals as unhampered by structural constraints, propelled only by their self-conscious attitudinal complexes. The indices are also reflective of the bi-polar concepts characteristic of Western sociological tradition. The modern woman has to move beyond 'primary' to 'secondary' relationships, take part in secular rather than 'religious' activities, abide by achievement oriented status rather than 'traditionally ascriptive' ones. Conclusions are thus either categorised as 'modern' or 'traditional', or at best as a "successful blending of traditionalism and modernity in Indian social life and culture".

Conclusions:

Grounded in the belief that modernisation initiated by the educated sections is a linear cumulative process, in which the central core is the value differences emanating from the convergence of the traditional and the modern, Indian sociologists have confined

themselves only to studies of middle and upper class women and even these dealing only with conflicts and blendings of the 'traditional' and 'modern'.

If Indian sociology has to make any contribution towards a better understanding of the plight of the Indian women caught between feudal and capitalist social relations, as a worker being retrenched, as a middle class bride being burnt, as a Harijan being raped, Indian sociology has to shake off its inertia and get rid of a model long discarded by even the most zealous of its Western proponents, or else it will persist in missing the wood for the trees.

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Local and Global Operations of Multinational Corporations: Unilever in India

HINDUSTAN LEVER is one of the most controversial multinational companies operating in India. The company has figured many times in parliamentary discussions because of its involvement in various practices which are not fully in accordance with the FERA (Foreign Exchange Regulation Act) and MRTP (Monopoly and Restrictive Trade Practices) regulations. Some of the major allegations against the company are: foreign majority holding of equity shares, operation in areas belonging to the Reserved List like soaps and tooth-paste, excess production over the permitted capacity in some of these very areas (e.g., about 170 per cent above the permitted capacity in soap), exploitation of workers through sub-contracting etc. The aim of this paper is to bring out certain facts about the company which throw light on the role of a multinational corporation in India.

Hindustan Lever (HL) has two parent companies—Unilever PLC, London, and Unilever N.V., Rotterdam—who actually function as one company. They have identical Boards of Directors and are linked by agreements, one of which equalises the dividends payable on the ordinary capital of N. V. and of PLC according to particular formula set out. Although Hindustan Lever is registered as a subsidiary of the PLC, London, the control and management of it is in the hands of both PLC and N.V. Unilever operates in 75 countries and has as many as 812 subsidiaries, and produces and sells over 1,000 products. Today, the company is one among the top multinational corporations in the world (it ranked ninth in 1975).

The formation of the company took place in 1929 when a merger took place between Margarine Unie, the biggest margarine manufacturer in Holland (possibly in Europe) of that time, and Lever Brothers, the leading manufacturer of soaps and other consumer products in the U K. Lever Brothers' involvement in Indian business dates back to 1888 when Sunlight soap was first exported. In 1913 Lever Brothers (India) Ltd. was registered under the Company Act

*Works on the research staff of the Indo-Dutch Project on Dutch multinationals in India.

1913 as an English trading company with a view to regularising and systematising the business in India.¹ But in later years other foreign companies like Gossages and Sons and Crossfield and Sons also got registered in India and the competition in the soap market began. In the early 1920's an increasing number of Indian soap manufacturers also entered the field. In the late 1920's indigenous soaps cornered half of the market share. Lever Brothers made a number of moves which resulted in their acquiring both the big foreign competitors, Gossages and Crossfield, as well as the major Indian soap manufacturing units, North West Soap Factory and Premier Soap Factory. Even then their business was hampered because of trade restrictions, especially when an import tariff *ad valorem* of 25 per cent was imposed in 1932. In that year they decided to start the manufacture of soap locally in India, through Lever Brothers (India) which was made a wholly-owned subsidiary.

Lever Brothers (India) Ltd. was registered as a manufacturing company in Bombay on October 17, 1933, under the Indian Companies Act, 1913. The memorandum of the company, listing its objectives, provides scope for a vast amount of vertical integration of the company, ranging from raw material sources to the right to extend full or partial control on any indigenous or other company, as well as the right to develop a wide range of activities in promoting its business and capturing the maximum share of the market; in short, the declared objective of the company from its very inception was to capture an unassailable monopoly position in the Indian market. After registering, Lever Brothers (India) Ltd. started its operation with the opening of the first factory at Haji Bunder (in Sewree, Bombay), near the site of the already existing Hindustan Vanaspati Manufacturing Company, a sister concern which was also incorporated as a Unilever subsidiary in 1931. This was the beginning of a permanent base for the industrial activities for Unilever. The production of soap generated by Lever Brothers in India was not enough to match the demand. In 1935, a trading company named United Traders Pvt. Ltd., a wholly owned subsidiary of Lever Brothers (India) Ltd., was registered under the Companies Act. This subsidiary's business was to handle the imported soap from Unilever. In 1939, Lever Brothers (India) bought up all the shares of Premier Soap Factory and the North West Soap Factory from its parents, and in 1944 the management of all Unilever subsidiaries—Lever Brothers (India), United Traders, and Hindustan Vanaspati Manufacturing—was integrated "for better efficiency". On November 23, 1956, Hindustan Vanaspati Manufacturing Company and two associated companies, William Gossages and Sons (India) Pvt. Ltd. and Joseph Crossfield (India) Pvt. Ltd., which were wholly owned subsidiaries of Unilever Ltd. were amalgamated with Lever Brothers (India). United Traders had ceased operating and was taken over by Lever

Brothers (India) on November 27, 1956. A special resolution was passed in the extraordinary general meeting of the company approving of the changed status of the company—from a private limited company to a public limited company, and this was sanctioned by virtue of a Bombay High Court order on October 1, 1956. The Company Law Administration approved the existing memorandum and the inclusion of more business activities, allowing the company (i) to carry on business in and manufacture vegetable products, margarine, all kinds of fats and Oleogenous emulsions, (ii) to manufacture and deal in articles of food of all kinds.

It is important to note here that the government of the independent Indian Republic approved the existing memorandum in a period when there was a hue and cry about reducing the power of foreign companies in India.

Equity Dilution

In 1956, Unilever, for the first time, released 10 per cent of equity shares for Indian participation. But by releasing 10 per cent of the shares, Unilever did not lose its control over the subsidiary. In absolute terms, the paid-up capital increased from Rs. 200 lakhs in 1955 to Rs. 501 lakhs in 1956. Only Rs. 55.7 lakhs worth of paid-up capital was transferred to Indian shareholders. In 1965, Unilever further diluted the foreign shareholding by 14 per cent, but the paid-up capital in its hand increased to Rs. 794.64 lakhs. Thus, in the name of handing over financial control of the company to Indians, Unilever, first of all, consolidated its position. Secondly, whenever it diluted foreign equity participation, it further consolidated its business by extending its operation to new lines of production. Thirdly, by extending to new lines of production it convinced the government that it was helping in the industrialisation of the country, and on that ground could plead for holding a majority of the equity shares.

After the 1956 equity dilution, the company entered into another line of production, i.e., synthetic detergents, the production of which started in 1959.² The production of chemicals also started in 1958. On this basis, the company started claiming that it had entered into a line employing sophisticated technology and thereby was qualified to maintain its majority shareholding.

After the second phase of dilution in 1965, the company entered into the production of synthetic detergent cake (Rin) in 1969. Afterwards, more chemicals production was introduced, like Citronella, in 1970. The HIMA range of food products, milk products, talcum powder and Signal tooth-paste were introduced at that stage of the Indianisation of capital. It is interesting to note that the MRTP Act and FERA were passed during this period, in 1969 and 1973 respectively, when Hindustan Lever was going ahead with

Hindustan Lever for the last five years. The table shows that the share of the value of products in Appendix I products lines in the value of total products of Hindustan Lever was only 24.57 per cent in 1981. The maximum share in the last five years was 25.02 per cent which was far below the 60 per cent claim. The approval of foreign majority equity in the case of Hindustan Lever therefore is completely without any justification.

Foreign Exchange Drain Hindustan Lever Brothers (India) Ltd. was incorporated with a paid-up capital of just Rs. 1 lakh in 1933. Today the paid-up capital of the company is more than Rs. 2,916 lakhs. Much of the paid-up capital has accrued to the company through capitalisation of profit by issuing bonus shares from time to time. In 1981, the share of Unilever in the paid-up capital stood at Rs. 1,487.36 lakhs of which bonus shares accounted for Rs. 1,036.86 lakhs, or 72 per cent. This shows that there was no big import of capital by Hindustan Lever, and the import of capital is one of the main arguments for allowing a foreign company to operate in India.

Now let us examine what benefit India gets on the foreign exchange earnings front. The net foreign exchange earning is calculated by deducting the value of imported raw materials plus value of imports plus other payments in foreign exchange plus dividends remitted to parent company from export earnings (f.o.b.), plus other exchange earnings. It will be seen that during the years 1977 to 1981 there have been consistently negative net foreign exchange earnings. Moreover, the net drain, which was Rs. 2,165 lakhs in 1977, had risen to Rs. 3,273 lakhs in 1980. Table II gives details of the drain of foreign

TABLE II
NET DRAIN OF FOREIGN EXCHANGE FROM INDIA BY HINDUSTAN LEVER
(Rs. in lakhs)

Year	Value of imported raw materials & spare parts consumed	Value of imports on c.i.f. basis capital goods**	Other payments in foreign exchange	Dividend remitted	Total drain	Export of f.o.b. & other earnings	Net drain of foreign exchange
1977	3740	3	20	215	3978	1813	2165
1978	3864	237	60	251	4412	1814	2598
1979	3798	61	91	317	4267	3230	1037
1980	6975	77	168	317*	7537	4264	3273
1981	7479	31	369	317*	8196	6855	1341

SOURCE: Annual Reports of the Company.

*Exact figures not disclosed by the company.

**Does not include capital goods imported through canalising agencies or from local market.

exchange for the period 1977 to 1981. The value of imported raw materials has risen exactly by 100 per cent over the period; the value of imports on a c.i.f. basis also has risen by about 90 per cent. The most significant growth has occurred in the other payments in foreign exchange, which includes interest on deferred dividends, technical know-how fees etc. The foreign exchange expenses on this head have risen from just Rs. 20 lakhs in 1977 to Rs. 369 lakhs in 1981. On the other hand, foreign exchange earnings of the company through exports and other earnings have grown by about 259 per cent. Still, exports and other earnings have always been less than even one single item: the value of imported raw materials. During 1977 to 1981 the value of imported raw materials consumed by the company was worth Rs. 25,856 lakhs whereas it got foreign exchange worth Rs. 17,976 lakhs through exports and other earnings during the same period.

Exports of the company have grown from Rs. 1,762 lakhs in 1977 to Rs. 6,703 in 1981. The value of its own products in export rose from Rs. 899 lakhs in 1977 to Rs. 5,267 lakhs and of third party products from Rs. 883 lakhs to 1,436 lakhs in 1981. Incidentally, the MRTPI manufacturing concerns are not allowed to transact third party products worth more than Rs. 500 lakhs. The company got the recognition of an Export Trading House recently, and is one among the only five such recognised Houses in India. The Soviet Union is emerging as a major buyer of Hindustan Lever's products, mainly synthetic detergents and personal products. A contract has been signed by Hindustan Lever for the supply of synthetic detergents and tooth-paste worth Rs. 1,500 lakhs. Exports to the USSR account for about 25 per cent of the total exports of Hindustan Lever. But if third party products are added, then the share of the Soviet market, in the combined exports of Hindustan Lever, amounting to Rs. 68 crores in 1981, will be as high as 50 per cent. Exports to the Soviet Union do not depend on the international marketing network of the MNC. Rather, thanks to the Indo-USSR friendly relations, Unilever could enter the market of a socialist country also, and preempt Indian companies from doing so. The net foreign exchange drain as computed in Table II represents an underestimate since it does not take into account transfer pricing. Though estimates of drain through transfer pricing are difficult to arrive at, there is enough evidence to show that Hindustan Lever does indulge in transfer pricing. Thus, the Life toilet soap which Hindustan Lever exports to Australia and Western Europe, has an ex-factory price of Rs. 1.95, a market price of Rs. 3.00, but an export price of only Rs. 2.09. Clearly under-invoicing of exports is being resorted to by the firm. Another indirect evidence for transfer pricing is provided by the losses incurred by one of its subsidiaries, Indexport Ltd. Hindustan Lever has four subsidiary companies, namely, Indexport Ltd.,

Levers Associated Trust Ltd., Levindra Trust Ltd. and Hind Lever Trust Ltd. Only Indexport, which deals with export business, has an income-expenditure account. In 1975, Hindustan Lever took over almost all the business of Indexport. In three out of five years during the period 1977-1981 Indexport was making a loss. The loss was the highest in 1977, when it was Rs. 11.52 lakhs. The maximum profit the subsidiary had made during the five-year period was Rs. 3.41 lakhs in 1981. The net loss over the whole five-year period of the company is Rs. 15.88 lakhs, although about 90 per cent of Indexport's activities is in the highly profitable export business, particularly of prawns. So this looks very much to be a case of transfer pricing. It may be possible that because of the scope for indulging in transfer pricing that Hindustan Lever does not want to deregister Indexport even after declaring its intention to take over the whole business of Indexport at the annual general meeting in 1975.

A large part of the enormous drain of foreign exchange arises of course on account of the high raw material import content of Hindustan Lever's products. The imported raw material content in the total raw material consumption was 28 per cent in 1981, and actually has been more or less 25 per cent since 1977. It is already 23 years since the opening of the Research and Development Laboratory at Andheri, Bombay. The claim of the company is that it has been successful in using the non-conventional raw materials, plentifully available in India and thereby effecting import substitution is not reflected in hard data. As a result of the research efforts, one would logically have expected a decline in the import content. The reliance on foreign raw material remains high.

Strategy and Profitability

Apart from its own product diversification and expansion, Hindustan Lever has also been resorting to take-overs as well as entry into the small-scale sector. Besides the control over the four subsidiaries and the close interlinks with Lipton Tea (India), which is a subsidiary of its parent company, Unilever, Hindustan Lever has substantial control over Sharpedge Ltd. (the company's products are Erasmic razor blades) by holding 15,709 ordinary shares of Rs. 100 each and has a minority equity participation. But the management control of Hindustan Lever on Sharpedge is obvious from the fact that "Mr R S Talwar, Delhi Branch Manager of HL, moved over to Sharpedge Limited as its General Manager in December 1980".⁵ In 1978 Hindustan Lever sold out shares of Solid Containers Ltd. worth Rs. 3 lakhs and bought 12,150 shares of Rs. 100 each of Housing Development Finance Corporation Ltd. To a great extent the management of Housing Development Finance Corporation is believed to be in the hands of Hindustan Lever now. The investment it had made in HDFCL is worth Rs. 12.15 lakhs, whereas the paid-up capital of its

wholly-owned subsidiary, Indexport Ltd., is just Rs. 1 lakh.

But the really novel feature of its expansion is the way it has virtually set up small-scale 'front' units to bypass government restrictions on capacity expansion in the Reserved sphere as well as to exploit unorganised low-wage labour. In the process it even claims credit for "helping" the small-scale sector.

Soap noodles are produced at Sewree factory in Bombay and sent to small-scale industrial units in Aurangabad, Pune and Bangalore. These three units together produce more soaps than what the Bombay factory produces. They produce the Sunlight soap which is being used for landry purposes only, and, incidentally, is reserved for the small-scale sector. The company is not allowed to expand its laundry soap capacity. But it is obviously using these units to produce much more than the plant capacity. This is also highly profitable for the company in the sense that the workers of the small-scale units are paid a low wage for the same work as is being done in the Bombay factory. The machineries for these small-scale units are supplied by Hindustan Lever itself. The small-scale units are increasing their production at a rate of more than 25 per cent per annum. Incidentally, the small-scale units are not subject to regulation of capacity expansion and increased production.

Apart from exploiting the super-cheap labour of the small-scale units, Hindustan Lever is also gradually increasing the proportion of lower-wage casual and contract workers in the work-force directly employed by it. Of course the numbers directly employed have hardly increased in the last few years. Recruitment of employees in the salary group of less than Rs. 3,000 per month has been practically discontinued by the company since 1977. The number of employees recruited above that salary scale was less than 20 over the last five years. But there has been some recruitment of casual labourers and contract workers. The pay they get is less than half of what the permanent workers get in the factory. As a result of this policy of recruiting casual labourers and contract workers, their proportion to total workers has risen to 8 per cent in 1981 (this proportion was insignificant in 1970).

The benefits for Hindustan Lever can be estimated from Table III, which gives figures for (i) gross profits as a percentage of turnover, (ii) taxes as a percentage of gross profits, (iii) profits retained as a percentage of gross profits, (iv) profits as a percentage of profits available for distribution, (v) gross profits as a percentage of capital employed, for the period 1962-1981. Remarkably, taxes as a percentage of gross profits have declined from 60.70 per cent in 1962 to 48.66 per cent in 1981, while gross profits as a percentage of paid-up capital have gone up from 58.35 per cent in 1962 to 141.35 per cent in 1981, and profits retained as a percentage of gross profits have gone up from 9.56 per cent to 27.55 per cent during the

Year	Gross profit as % of turnover	Taxes as % of gross profit	Profit retained as % of gross profit	Profit retained as % of gross profit available for distribution	Gross profit as % of paid-up capital	Gross profit as % of capital employed
1961	10.3	49.73	30.51	141.35	141.35	141.35
1962	10.3	48.66	27.55	144.06	144.06	144.06
1963	10.3	42.50	23.71	155.62	155.62	155.62
1964	10.3	63.91	20.10	162.91	162.91	162.91
1965	10.3	64.03	19.12	137.27	137.27	137.27
1966	10.3	68.33	18.12	124.39	124.39	124.39
1967	10.3	62.90	11.81	95.16	95.16	95.16
1968	10.3	62.23	14.30	67.99	67.99	67.99
1969	10.3	52.14	9.70	39.60	39.60	39.60
1970	10.3	54.86	15.24	58.01	58.01	58.01
1971	10.3	47.72	13.06	49.08	49.08	49.08
1972	10.3	52.54	12.76	48.34	48.34	48.34
1973	10.3	52.14	13.06	57.83	57.83	57.83
1974	10.3	54.86	15.24	60.66	60.66	60.66
1975	10.3	52.14	13.06	58.01	58.01	58.01
1976	10.3	47.72	13.06	49.08	49.08	49.08
1977	10.3	52.54	12.76	48.34	48.34	48.34
1978	10.3	52.14	13.06	57.83	57.83	57.83
1979	10.3	54.86	15.24	60.66	60.66	60.66
1980	10.3	52.14	13.06	58.01	58.01	58.01
1981	10.3	47.72	13.06	49.08	49.08	49.08

But the...
 Gross profit as % of turnover...
 Taxes as % of gross profit...
 Profit retained as % of gross profit...
 Profit retained as % of gross profit available for distribution...
 Gross profit as % of paid-up capital...
 Gross profit as % of capital employed...

the same period. Thus a company which has brought very little capital or technology into India has built up a huge monopoly empire in product lines where it is easily replaceable by domestic producers, is earning enormous profits, less and less of which is being paid as taxes, is perpetuating import dependence notwithstanding all its talk about promoting research for finding domestic import substitutes, and is openly draining away substantial amounts of foreign exchange every year, not to mention the concealed flows on account of transfer pricing. Moreover, it is doing all this in direct contravention of FERA with the government turning a blind eye to its activities.

Hindustan Lever in the Unilever Empire

Although Hindustan Lever is just one among the 812 subsidiaries of Unilever Ltd, it is of great importance to the parent company. This we shall discuss below. First we take the share of profit and the share of capital of Hindustan Lever employed in Unilever. The geographical concentration of Unilever's business is in Europe. Broadly, we have divided the whole operation of Unilever for comparative purposes in six geographical regions, viz., EEC, non-EEC European countries, North America, Central and South America, Africa, and a group consisting of Australia, New Zealand and Asia. EEC is the largest contributor to the profits of Unilever. However, the share in total profits shows a decline over the years 1971 to 1981. Whereas in 1971 EEC's share in Unilever's profit was 55.17 per cent, in 1981 it had come down to 44.27 per cent. Nevertheless there were sharp fluctuations in this share. There are three distinct phases during the decade. During 1973 to 1975 there was a sharp fall in the share of profits from EEC from 56.80 per cent to 40.98 per cent. The years 1975 to 1978 showed a recovery. The share went up to 62.37 per cent, followed by the declining phase which is continuing and has brought down the share to 44.27 per cent. Compared to this the non-EEC countries performed better. The share has gone up from 5.91 per cent in 1971 to 9.35 per cent in 1981, and shows less fluctuations. North America shows as sharp fluctuations as the European countries. In North America also the share of profits has gone down in 1981 as compared to 1971. Central and South America show a general rising trend in the share of profit. Their share has increased from 2.46 per cent in 1971 to 6.88 per cent in 1981. The African business of Unilever shows sharp fluctuations. The share in profit increased from 5.76 per cent in 1971 to 26.5 per cent in 1975 and declined again to 11.21 per cent in 1981. Asia, Australia and New Zealand show an increasing trend in the share of profit. The share increased from 7.88 per cent in 1971 to 17.44 per cent in 1981. The significance of the Indian business in this region is very great. Australia,

New Zealand and Asia minus India contributed a negative share in 1977, 1978, 1979 and 1981, which means that, but for its Indian business, Unilever would have suffered a loss in this region in those four years. India's share in Unilever's profit has gone up from 9.65 per cent in 1971 to 18.27 per cent in 1981 and shows the most regular increasing trend among all the regions (See Table IV).

From the above analysis one can build up an argument on the relative importance of the developed and the underdeveloped countries in the profit structure of the corporate group. Admittedly, the region-wise division of our data is such that we are forced to lump Australia and Japan among the underdeveloped countries; but this makes little difference since the contribution of Australia and Japan in terms of share of profit and capital employed to the whole region is quite insignificant.

We shall use a simple index. A company with an absolutely average performance in the sense that its percentage share of aggregate profits of the corporate group exactly equals its percentage share of the total capital employed would have an index equal to 1. A higher than average return on capital employed would be reflected in an index value higher than 1. Table V shows the index values for Hindustan Lever, for Unilever in the underdeveloped countries and for Unilever in the developed countries. It is clear that Unilever's business in underdeveloped countries, where the index is always above 1, is consistently more profitable than its business in the developed countries. And its business in India is far more lucrative than even its business in the underdeveloped countries as a whole.

If we take the ratio between the share of profit and the share of sales we get exactly similar results as we have got in the case of the share of profit and the share of capital employed. Here also the ratio for the units operating in the developed capitalist countries is continuously less than 1. In the case of the underdeveloped countries, the ratio is more than 1 but less than or equal to 2. Hindustan Lever, taken separately, scores absolutely high figures, except for one year. So, the above conclusion that Hindustan Lever is the best business of Unilever is again corroborated (Table V).

In Table VI we take Unilever as a whole on one side and Hindustan Lever on the other, make a comparison of profitability in terms of profit before tax as a percentage of capital employed. It is significant to note that in not even a single year between 1970 and 1981 has Unilever had a higher rate of profitability than Hindustan Lever. Moreover, in seven out of 12 years the rate of profitability was either double or more than double the rate of profitability of Unilever.

The more pronounced profitability of Hindustan Lever as compared to the corporate group as a whole cannot be attributed to any difference in the labour-intensity of production. Actually, the

TABLE IV
UNILEVER: SPATIAL DISTRIBUTION OF SHARE OF PROFITS

Year	E E C	Other European countries	North America	Central & South America	Africa	Asia, Australia, including India	(Percentage)	
							India	Asia, Australia minus India
1971	55.17	5.91	12.80	2.46	15.76	7.88	9.65	-1.77
1972	56.42	8.17	9.12	3.50	12.06	10.11	9.92	0.19
1973	56.80	8.57	8.57	3.25	13.01	9.76	7.18	2.58
1974	52.10	7.00	11.20	2.24	16.24	11.20	6.80	4.40
1975	40.98	6.55	10.10	2.73	26.50	13.11	10.82	2.29
1976	49.11	6.11	8.30	2.72	23.86	9.87	8.19	1.68
1977	56.13	8.54	7.85	4.79	11.09	11.57	10.57	1.00
1978	62.37	6.43	6.43	4.77	9.20	10.77	11.54	-0.77
1979	57.96	7.47	9.69	3.58	9.34	11.95	13.22	-1.27
1980	50.48	8.64	8.92	5.25	11.63	15.06	14.73	0.33
1981	44.27	9.35	10.82	6.88	11.21	17.44	18.27	-0.83

SOURCE: Annual Reports of Unilever and Hindustan Lever for the years 1971 to 1981

TABLE V
RATIO OF SHARE OF PROFIT TO SHARE OF CAPITAL EMPLOYED AND SHARE OF
PROFIT TO SHARE OF SALES

	<i>Developed Countries</i>		<i>UDC</i>		<i>HL</i>	
	$\frac{\% \text{ of } P}{\% \text{ of } C}$	$\frac{\% \text{ of } P}{\% \text{ of } S}$	$\frac{\% \text{ of } P}{\% \text{ of } C}$	$\frac{\% \text{ of } P}{\% \text{ of } S}$	$\frac{\% \text{ of } P}{\% \text{ of } C}$	$\frac{\% \text{ of } P}{\% \text{ of } S}$
1971	0.91	0.97	1.45	1.15	5.51	8.69
1972	0.88	0.99	1.55	1.01	5.30	8.77
1973	0.88	0.96	1.49	1.01	4.43	1.32
1974	0.84	0.88	1.59	1.24	4.54	7.31
1975	0.89	0.74	2.34	1.76	8.01	8.79
1976	0.78	0.83	1.87	1.46	6.55	6.39
1977	0.87	0.90	1.53	1.31	7.82	7.23
1978	0.89	0.92	1.61	1.43	9.23	6.86
1979	0.88	0.83	1.72	1.76	9.37	7.38
1980	0.80	0.79	1.98	2.00	10.69	7.83
1981	0.78	0.81	2.04	1.81	9.92	7.48

NOTES: Percentage of P: Share of Profit.
Percentage of C: Share of Capital Employed.
Percentage of S: Share of Sales.

SOURCE: Annual Reports of Hindustan Lever and Unilever.

employment figures of Hindustan Lever are relatively smaller than its share of capital within the corporate group. Due to incomplete statistics the relationship between the share of employment and the share of profit of Hindustan Lever cannot be analysed for the full decade 1971-1981. However, whatever data are available clearly indicate that, relatively to the share of profit it contributes to its parents, the employment in Hindustan Lever is remarkably small.

In 1972, the ratio of the number of employees in Hindustan

TABLE VI
PROFIT BEFORE TAX AS A PERCENTAGE OF CAPITAL EMPLOYED:
UNILEVER AND HINDUSTAN LEVER

Year	Unilever	Hindustan Lever
1970	13.65	25.75
1971	16.30	32.33
1972	17.75	23.13
1973	20.49	21.41
1974	17.24	19.94
1975	14.86	30.43
1976	20.51	25.42
1977	18.02	37.98
1978	17.28	37.57
1979	16.75	37.22
1980	15.87	33.40
1981	16.69	34.77

SOURCE: Annual Reports of Unilever and Hindustan Lever.

Lever to that in Unilever was 2.38 per cent, but the share of profit it was contributing was 9.92 per cent. The share of the work-force has gone up marginally to 3.01 per cent in 1981, but the share of profit has gone up significantly to 18.27 per cent. So, the benefit clearly goes in favour of Unilever.

Salaries, wages and other workers' benefits as a percentage of the value added is a good indicator to show the distributional aspect of the income of the company. Here also we make a comparison between Unilever and Hindustan Lever. Normally, the greatest share of the value added goes to the salaries, wages etc. component. That at least is the picture for Unilever. Over the last decade an average of 67 per cent of the value added of Unilever went towards salaries, wages etc. For Hindustan Lever one finds, however, a declining trend in the share of salaries, wages etc. in the value added throughout the last decade. In 1970, the share of value added going to salaries, wages etc. of Hindustan Lever was 60 per cent; this share has gone down to as low as 35 per cent in the year 1981. It is noteworthy also that the share of value added going to the government in the form of taxes is almost stagnant at a level of around 32.5 per cent for the last decade. This implies that the share of value added going to profits has been rising throughout the last decade.

Thus, while Hindustan Lever's contribution to its parents in terms of capital employed, sales, employment etc. may be very low, between 1 per cent and 3 per cent, its contribution to Unilever's profit is between 9 per cent and 18 per cent. Of Unilever's business in all underdeveloped countries Hindustan Lever is found to take the foremost position. One assumes that it wants to maintain that position, and that, if the need arises, it may even be prepared to make some concession to the host country concerned.

(The author is grateful to Kristoffel Lieten, of the Indo-Dutch Project on Dutch Multinationals in India, for going through the paper and making valuable suggestions. Thanks are also due to his other colleagues for their help in preparing this paper).

- 1 See D. K. Fieldhouse, *Unilever*, London, 1978, chapter on India and Pakistan.
- 2 For licensing capacity expansion Hindustan Lever had made nine applications between 1958 and 1973, out of which seven were granted, whereas for Swastik only five out of 13 applications were granted during 1952-1973 and for Tomco only three out of 15 applications.
- 3 According to the industrial policy announcement of the government in 1973, foreign companies were allowed to invest only in the so-called "core industries" set forth in Appendix I of the announcement. This excluded soaps, vanaspati, tooth-paste etc. and included industries like metallurgical, electrical equipments, synthetic detergents, fine chemicals etc.
- 4 Incidentally, Chindwara happens to be the constituency of an influential Congress (I) M P, Kamalnath. Earlier, HL had made an application for opening a detergent factory in Medak (A P) which happens to be the Parliamentary constituency of Indira Gandhi. It appears that a part of Hindustan Lever's Etah factory is also going to be shifted to Amethi, which is the Parliamentary constituency of Rajiv Gandhi.
- 5 See *Hamara*, January-February 1981, p 27.

NOTES

Intensifying Contradictions between the U S and its "Allies"

THE ECONOMIC situation in the capitalist world has shown a sharp deterioration in the past one year, of which the harshest expressions are to be found in the appalling current level of Third World indebtedness, the inexorably mounting unemployment in all capitalist countries, and the persistent recessionary trend in industry. The World Bank and IMF annual reports have only brought this deterioration into sharper focus, but the facts were well-enough known in each country even before. In fact the developed capitalist countries are approaching a situation akin to the 1930's Great Slump.

From 1974 to 1980, these economies experienced slow growth or stagnation, soaring inflation and record unemployment, punctuated by two crises of overproduction, though all of them were not equally affected. While Japan made rapid relative gains, a catastrophic deterioration took place in the position of Britain, while the U S and West European countries sustained significant losses. By 1981 the all-round failure of Reaganomics, Thatcherism and monetarist policies in general had become evident; the feeble recovery from the 1980 crisis was cut short and by late 1981 economic activity was plunging into a crisis downturn. As a result bankruptcies erupted at a rate not seen since the 1930's in both the U S and Britain; there were some 7,000 bankruptcies in Britain alone in the first nine months of 1981 according to the London Press, and over 8,000 in the first four months of 1982 in the U S, which is half as many again as in the same period in 1981; this is clearly the highest rate experienced since 1933. The possibility of a major financial crash resulting from a chain of major failures has become recognised as a real danger.

With the accent on reducing inflation rather than unemployment, the unemployment rate has jumped; in the U S it has reached a record 9.8 per cent with 10 million jobless; in Japan by June 1982, it had reached 2.48 per cent, or 1.37 million unemployed. While this makes it the highest rate for Japan since 1956 when it was 2.66 per cent, it is still far below that of any of the advanced capitalist countries. Britain surpasses all others, reaching a rate of over 13.8 per cent,

or three million unemployed according to official sources, and nearer four million according to the T U C. In the OECD countries as a whole, unemployment has affected some 28.5 million people, against less than 20 million in 1979, a year in which it was thought things could not get worse!

In this background it is not surprising that sharp differences between the imperialist powers are coming to the forefront over policies which critically and adversely impinge on the efforts of each to protect, or rather slavage, their economies from the ravages of the recessionary crisis.

There are currently three major areas of contention between U S imperialism and the West European and Japasese imperialist countries. One is the high interest rates initiated by the U S government, another is the battle over steel prices and the third is the June 18 Reagan embargo on the supply of equipment for the 5000 km. Siberian gas pipeline.

In the first instance, the tight money policy dictated by 'supply-side economics', combined with heavy government borrowing to finance rising military outlays and offset declining taxes on corporations, sent interest rates in the U S soaring to more than 20 per cent and triggered budget deficits estimated this year at a staggering dollar 146 billion. The high interest rates in turn led to a flight of short-term capital from Europe, resulting in a rise in European interest rates, making investment less attractive, and severely contracting the demand for consumer goods, particularly in the hire-purchase market. With the simultaneous rise in the value of the dollar, any fall in prices of international commodities denominated in dollars did not help; in the case of oil, for instance, a 10 per cent fall in oil prices quoted in dollars was more than offset by a 30-35 per cent appreciation of the dollar against major European currencies. At the Versailles summit, Reagan overruled all protestations and for the time being, the U S imperialist will prevailed on this question. That interest rates have now fallen by 3 per cent is a fall-out of the tax increases Reagan was forced to introduce, negating his own economic strategy.

The 'steel war' began the day after Reagan's return from Versailles and his tour of Europe, and the "Spirit of Partnership", over which he had waxed eloquent, evaporated like the morning mist. American steel-makers had been charging that European steel companies benefited from unfair government subsidies. On the other side, it was claimed that the West European share of American steel imports had already dropped by a third in the past decade despite the state subsidies which were only being given to help the E E C steel industry to modernise its plants. The U S government, backing its steel monopoly giants, threatened to slap down additional duties on steel coming into the U S market, adding up to 40 per cent of its steel exports for Britain, and 20 per cent of the steel exports for France

and Belgium. In other words, it would create an insurmountable obstacle for roughly a quarter of the entire steel export of five to six million tonnes of the Ten to the U S, striking at the heart of their efforts to reconstruct.

Bending under the U S monopoly pressure in weeks of hard negotiating, in early August the European countries finally agreed to a proposal. The E E C would reduce their share of the U S market from more than 6 per cent to 5.75 per cent and phase out all government subsidies to their steel companies by 1985. In return the U S government would drop its plans to impose countervailing duties on European steel imports. But the 'Allies' were in for a shock. The American steel industry out-of-hand rejected the accord and in Washington angry E E C representatives broke off all negotiations with the American government representatives. Britain, facing the harshest penalties of any European steel producer, made no secret of its displeasure. Bill Sirs, General Secretary, British Confederation of Iron and Steel Trades, warned that the E E C would try to prevent American goods from coming into Europe. The E E C had even earlier threatened that if the U S government imposed additional tariffs and duties on steel imports, the E E C might retaliate by running its own challenge to a two billion dollar "DISC" tax subsidy for all U S exporters. The U S government is still discussing whether the additional levies will be imposed.

Just a week after the first salvo in the 'steel war' had been fired, came the unilateral announcement of the Siberian gas pipeline embargo, on June 18.

Termed in Western circles as "The Deal of the Century", in July 1981, West Germany and the Soviet Union arrived at an agreement for the construction of a gas pipeline to Western Europe from Urengoi in eastern Siberia, to feed 40 billion cubic metres of natural gas, annually, to a number of countries belonging to the EEC. In the first instance, the gas would be supplied to West Germany, France, Italy and Austria, with West Germany taking about one-third of the total. Later the supply would be extended to Belgium, Holland, Switzerland and Spain. The project was to be completed in two years, at an estimated cost of ten billion dollars, and the gas was to start flowing from January 1984.

Various European companies have contracted to supply the pipes and equipment for the 125 compression pumping stations. Fulfilment of these orders will not only mean billions of dollars worth of equipment to be manufactured in Europe, but also in effect provide about 20 million work-hours—thousands of jobs—and a permanent trade of European goods against Siberian gas, of around 10 billion dollars a year by the end of the 1980's.

It is this prospect of trade and employment which is threatened by the Reagan Administration's embargo. The embargo was originally

imposed only on US companies, on December 30, 1981, in a move of retaliation to the declaration of Martial Law in Poland. It was extended on June 18, unilaterally, without consultation or notice to overseas US subsidiaries, as well as non-American firms producing pipeline equipment under US licence.

This decision has greatly exacerbated the already strained relations between the U S and Western Europe. For the Western European countries, the huge Soviet pipeline orders for the moment represent the only silver lining in the gathering storm-clouds with their menace of slump and financial crash, and the social implications that would follow. The U S has not only denied them this medium of relief, but it has also encroached on their sovereignty, as it seeks to dictate to them in an important area of foreign policy, relations with the Soviet Union. The European governments have reacted predictably sharply on both these counts.

All the countries involved, without exception, have rejected America's right to make such decisions unilaterally, openly defied US policy and challenged the decision as an encroachment on the sovereignty of the European nations.

The British government, despite its "special relationship", was among the first to direct British firms to disregard the ban, under the banner of the 1980 Protection of Trade Interest Act, and ordered the Scottish firm John Browne Engineering to honour its 175 million dollar contract. The severity of the slump and the significance of these contracts can be realised when it is seen what a high proportion of the output of these firms the Soviet orders represent. This 175 million dollar worth of equipment equals the *total sales* last year of the gas turbine division of John Browne, one of the largest and well-established engineering firms in the capitalist market. As we shall see later, the same is the case with West German firms.

Despite a White House statement warning that firms violating the ban would be black-listed and fined up to 100,000 dollars and their directors jailed if they entered the US, the French government directed the French firm Alsthom Atlantique as well as the firm of Dresser France, a wholly-owned subsidiary of the US Dresser Industries Inc. of Dallas, Texas, to deliver the 21 compressors and spare parts as contracted. Both firms have complied with the requisition order, both have been temporarily black-listed by the US Commerce Department. Dresser France has been forbidden to receive any imports relating to gas and oil products from its parent company. In a counter-move, the latter has gone in appeal and challenged the ban on the grounds that it is unconstitutional and illegal.

The West German and Italian governments have also reiterated their determination to stick to the agreements. In the words of Chancellor Helmut Schmidt, "The first strategic interest of the West is to restore its own economic health." Accordingly, the ailing

AEG-Kanis has been instructed to carry through the deal and West German banks have gone ahead with the signing of the agreement with the Soviet Union, making available finance for 1.11 billion dollar worth of German exports, with the option of going up to 7.6 billion dollar over an eight-year period.

The Japanese government, though not involved in the Siberian pipeline, is also hit in its one and only joint venture with the USSR to develop oil and natural gas on the continental shelf off the island of Sakhalin. It too has gone on record stating that it would do everything to help the companies involved fulfil their contracts without direct U S assistance. Already the project represents an investment of 200 million dollar over the last six years, on the expectation of importing three million tonnes of gas over the next 20 years.

Both the European countries and Japan are at one regarding their relations with the USSR—they disagree with the very idea of waging a trade war. In President Mitterrand's words: "We are not going to wage any kind of war on the Russians". Japanese press comments reflect the same opinion, that a sharper confrontation with Moscow is not in the interests of Japan.

What lies behind the U S government ban? The Reagan Administration claims that such projects will provide the Soviet Union with advanced technology and hard currency, both of which it wishes to deny to the Russians. It is interesting to recall that in the late 1960's, East-West trade was promoted precisely in the belief that it would make the Soviet Union increasingly dependent on technology and grain from the West, and for these reasons the Carter Administration favoured the Siberian pipeline project. Similarly, the Kissinger 'vision' of detente was based on the idea that East-West economic cooperation would give the West leverage over Moscow. Now these positions are being revised, though the central theme of technological dependence remains constant. Today it is being argued that without Western deliveries the project will fall behind schedule. The same analysts predicted in 1977 that oil extraction in the USSR would drop to 400-500 million tons by 1985. Such assessments appear to be deliberately misleading since the actual facts and data are well published and easily accessible. The Reagan Administration is questioning the USSR's ability to build the pipeline by itself, although its 1980 production of 18 million tonnes of steel pipes is more than the combined production of the U S A, France, West Germany, Britain and Canada, and exactly half the entire output of pipes in the capitalist world. On the one hand the 1981-1985 Five-Year Plan envisages the building of 50,000 Km. of trunk gas pipelines; the Western deliveries of pipes, if fully realised, will account for no more than 12 per cent of all pipes needed for all such projects in the current Plan; on the other hand no less than two-thirds of the capacity of the main suppliers—the pipe-rolling industry of West Germany—is engaged in

fulfilling Soviet orders. Only in the USSR are pipes of such large proportions and diameter, designed for a high pressure of 75 atmospheres under the northern conditions, being built. And the export pipeline is only one out of the six to be built in the current plan period, at a total cost of 25 billion roubles.

Since, therefore, the ability of the USSR to build the pipeline itself cannot be questioned, the emphasis of the U S Administration had to shift, to blocking the deliveries of compressor stations and pipe-laying equipment.

Most West European firms manufacture gas turbines on General Electrical licences, while the most important turbine, the rotor, is manufactured at the company's plants in the U. S. The White House, in December last, banned precisely the supply of these rotors to the Soviet Union.

But the powerful pumping equipment of gas turbines of 25 megawatts—the kind required for the pipeline—are suitable only for the kind of giant gas pipelines currently being laid. If the delivery of these turbines is blocked the West European firms will be hard put to it to find buyers for them, especially considering the size of the Soviet orders (by contrast, for example, the trans-Alaskan gas pipeline, proposed to be built by U S, is shorter, less powerful, and still remains on paper), which of course is an added reason why the West Germans oppose the ban. They remember with bitterness how in the 1960's, under pressure from Washington, they had refused to deliver large-diameter pipes to the Soviet Union, and thereby lost some very profitable orders, rendering thousands jobless. This time also, just a part of the current Soviet orders has enabled the West German AEG-Kanis firm to employ an additional 25,000 workers. In fact, the joint production suggested by some West European firms, of the 25-megawatt gas pumping plants, of which the Soviet Union presently has two, is another area of industrial co-operation blocked by the American sanctions.

In this field the USSR now has gone much ahead in developing and producing marine gas turbines and electrically-driven compressor stations powered by atomic or coal-firing stations. The confidence they express in ensuring the construction of the pipeline before schedule and commencing export deliveries of gas in 1984, rests, therefore, on the firm foundation of a highly developed Soviet machine-building industry. Already production of the necessary equipment to substitute Western ones in case of a possible Western default has been taken up by other plants, and the technically skilled and other workers have volunteered in their thousands to help complete the work on time. They have once again formed themselves into the "Shock Brigades" of the First Five-Year Plan fame, and by mid-August had welded over 500 Km. of pipes and laid 250 Km. into position.

In the light of all this to think that sanctions will delay, let alone block, the construction of the pipeline is both naive and grossly misleading.

The Reagan Administration, however, has other more cogent reasons for its policy, and these come back to the question of the inter-imperialist rivalry and US imperialism's drive for global hegemony. In the first place, the Reagan Administration would like to regain control over Western economic contracts with the USSR, in the same way as it is imposing its fiat in the matter of inter-capitalist trade, vide, the forced prising open of the Japanese market for American goods, while at the same time denying the supply of Alaskan oil to Japan whereby the US trade deficit with that country could be reduced; it is the same design to impose its fiat that can be discerned in its policies with regard to interest rates and steel pricing, mentioned above, and brazenly with regard to the lending policy of international financial agencies such as the World Bank and the IMF, vis-a-vis the developing countries. Stridently and ruthlessly it is striking out to establish its economic and political hegemony over all. This is clear from its decision and agreement signed to continue grain sales to the USSR worth billions of dollars, while it is trying to force West European countries to cut back on their mutually beneficial economic ties with the Soviets. As one commentator put it, American monopoly capital would like to turn the international political arena into a one-actor theatre. There is also a nearer home, specific economic consideration, a necessary corollary to its political aim—the apprehension that Soviet gas supplies would affect American sales of coal and oil to Western Europe. Quite explicitly, the US Under-Secretary of Defence has stated that the West European share in the financial outlays for the Soviet pipeline is excessive. He has offered an alternative: invest money instead in the trans-Alaskan gas pipeline, or in the Norwegian gas deposits in the North Sea. What he did not say, however, is that while the outside credits sought by the Soviet Union amount to 15 billion dollars the trans-Alaskan project is estimated to cost three times more.

Manoeuvring by the US has now begun to find “a comprehensive plan to slow down the construction (of the pipeline)”. Out and out economic war against the Soviet Union is a continuation of the US imperialism's global policy of confrontation and seeking military supremacy. Both these aspects, the economic and the military, are closely interrelated. Both stem from the attempts to solve US problems at the expense of the allies.

Who will be forced to bend and how much, what compromise will be struck is yet to be seen. But inexorably the contradictions are intensifying.

India's Foreign Policy

THE FOREIGN policy of a country is deeply influenced by the domestic correlation of social forces and their material goals. More importantly global alignments exercise a direct impact on a country's foreign policy options. The current global alignments are based on direct confrontation between the United States of America and the Soviet Union, and the growing militarisation of the U S is primarily responsible for the death of *detente* and the emergence of the second 'cold war' in international affairs. The U S is pursuing its policy of military confrontation, isolation and encirclement of the Soviet Union by exploiting the Sino-Soviet conflict, supplying arms to the regional allies, and building new military bases in Western Europe and the Indian Ocean.

India's foreign policy makers have to operate in a global crisis situation in which the US is determined to follow a policy of military confrontation with the USSR. Moreover, India is involved in a serious domestic crisis created by the capitalist path of development followed by the exploiting classes. Therefore, Indian foreign policy makers must grapple with global and domestic crises, and because these crises are fundamental, the search for soft options in foreign policy would be at the cost of India's national independence.

India's policy of non-alignment and self-reliance in economic development can be examined by relating it with the 'dual tendencies' of the Indian bourgeoisie. The Indian bourgeoisie, although it fought against British imperialism (primarily for the control of the Indian domestic market), made many compromises with the imperialists. The interests of colonial capitalists were fully safeguarded through the negotiated transfer of power between the British and India. This has been revealed during the last three decades of independence, wherein the Indian bourgeoisie has revealed its dual character while dealing with imperialism. As a result, on the one hand Indian ruling classes have confronted and opposed imperialism and on the other they have compromised with imperialism to pursue their class interests. A few facts may be mentioned here to substantiate the nature of confrontation between India and imperialism.

(a) After the Second World War, the imperialist countries evolved a strategy of military pacts and alliances with the newly liberated countries of the Third World. India refused to join any military alliance with the imperialists, and unlike many other Third World countries, she refused to provide military bases to the imperialists.

(b) During the 1950's and 1960's the imperialist countries were

pursuing a policy of "containment of communism", and they were searching for allies in the developing countries; but India refused to oblige the imperialists in their global policies of anti-communism. Not only this, India recognised the People's Republic of China as an independent nation at a time when the U S was frowning on countries which recognised China.

(c) During the Sino-Indian border dispute of 1962, the imperialists pressurised India to join them in an anti-communist alliance, but India refused to enter into such an arrangement.

(d) While, during the 1950's and 1960's, India refused to succumb to the imperialists, in the 1970's India created many irritations for the imperialist countries by raising issues regarding the New International Economic Order. The imperialists found themselves on the defensive in international debates and forums on NIEO, and were not pleased with India's leading role in the Group of 77, UNCTAD and GATT.

The Indian ruling classes may not be sufficiently anti-imperialist; but there is no doubt that on a range of issues, the Indian government has found itself in contradiction with world monopoly capitalism. To sum up, India's foreign policy of non-alignment has some anti-imperialist features, which reveal the confrontational character of the Indian bourgeoisie. This is one face of the Indian bourgeoisie and its foreign policy of non-alignment and anti-imperialism. The other face is revealed by its collaboration with world monopoly capitalism, and its concomitant compromises in foreign policy.

India's foreign policy makers have made many compromises with world monopoly capitalism because of their failure to pursue a genuine policy of self-reliant economic development, an essential pillar of an anti-imperialist foreign policy. A developing country like India cannot follow a policy of autarky or isolationism in a world which is essentially interdependent. But global interdependence does not mean that a developing country should surrender its sovereignty under the pressures of foreign aid givers or private foreign investors.

A few facts may be noted here regarding the quantum of foreign aid, pattern of private foreign investment and technological collaborations entered into by the Government of India with foreign countries.

(a) On March 31, 1981, India had received foreign aid (on government-to-government basis) amounting to Rs. 22,774.25 crores,

(b) Foreign aid received on non-government account upto March 31, 1981, was Rs 1,369.96 crores.

(c) India is the largest beneficiary of aid from the World Bank and its affiliate, the International Development Association. The total amount from these two sources is Rs. 7,995.93 crores.

(d) The International Monetary Fund was not considered a loan-giving agency. Upto March 31, 1981, India received I M F Trust Fund of Rs. 521.27 crores. India made history by borrowing SDRs amounting to 5.6 billion dollars for 1981-1983, the largest amount extended by the

IMF to any country in the world. Such a large borrowing from the IMF has made the Indian economic planning process subservient to the scrutiny of the world monopoly capitalist countries. The Government of India has agreed to a policy of import liberalisation which is in direct contradiction with the policy of import substitution and self-reliant technological development. The acceptance of IMF 'conditions' would make India dependent on the industrialised countries of the West for the import of technology and industrial equipment. While the Indian Big Business welcomed the IMF loan, foreign aid and private foreign investments, some apprehensions have been expressed even by leaders of Big Business. For instance, S S Kanoria, a leading industrialist, observed: "The IMF had advocated increase in taxation and liberalisation of imports. ...Indiscriminate imports from giant units in other countries at prices higher than those permitted to Indian companies could do great harm to the economy."¹

(a) India has entered into more than 6,500 collaboration agreements with other countries. In 1980 alone, India signed 526 collaborations with foreign countries. How can a country achieve self-reliance with such an indiscriminate rush for collaborations with foreign countries?

(b) A sea change is taking place in the economic policies and politics of the capitalist industrialised countries. Ronald Reagan, the US President, has clearly stated that the developing countries should not expect bilateral assistance or aid from multilateral institutions for their developmental needs. If the developing countries expect resources from the developed countries, they have to look towards private capital in the international capital market.

If an interconnection of the above facts is established, then the inescapable conclusion is that the Indian foreign policy is slowly moving towards subservience to imperialism. It is the role of the Left political parties to oppose such a drift in India's foreign policy and safeguard the country's independence from imperialism by opposing the new policy prescriptions like import liberalisation, incentives to private foreign investment and multinational corporations.

India has many foreign policy options, and if they are properly exercised, the country can face the grave international challenges of the 1980's

Firstly, the distortions and drift in India's foreign policy were dramatised by the Congress (I) government's efforts in seeking the IMF loan which in turn is the product of the crisis generated by the strategy of economic development pursued by India. Export-oriented regimes in the Third World have become dependent on the industrialised countries of the West because they are operating in an "unequal" framework of international relations. To avoid this, India

should concentrate on expanding and deepening its domestic market, and concentrate on the production of commodities needed by the Indian masses. Further, an efficient management of the domestic economy would generate jobs and create purchasing power which would help in dealing with some aspects of the present crisis.

Secondly, India is operating its foreign policy in an epoch of the existence of a strong socialist state system which is competing with and confronting the world monopoly capitalist system. In this context Indo-Soviet relations have a special dimension, and if pursued on the basis of mutuality and understanding, India can retain its independence from domination from the capitalist countries. The Indian government can bargain with the Western capitalist countries by maintaining cordial relations with the Soviet Union. It must be stated clearly that the Soviet Union cannot resolve the basic crisis of Indian capitalist development. Nevertheless, the Indo-Soviet friendship provides an opportunity to the Indian ruling classes to deal with the Western countries on the basis of equality.

Thirdly, India can exploit inter-imperialist rivalries which are an important feature of world monopoly capitalism. President Reagan is finding himself isolated from his NATO allies on many crucial issues. Further, individual capitalist countries have to resolve their own crises on the basis of their own strategies. The present political situation has opened up two important options for India, and they are relationship with the socialist countries, and with the West European capitalist countries respectively. Besides bilateral trade, India and the European Economic Community are the largest partners. Similarly, the Indo-Soviet trade is expanding. In 1980, the Soviet-Indian trade amounted to 1,700 million roubles, a nearly two-fold increase compared with 1975. Table I would help in understanding the nature of growing relationship between India and the EEC. It clearly shows that the US is important for India, but other options exist in the contemporary world and their significance should be properly appreciated by the Indian policy makers.

TABLE I
INDIA'S PRINCIPAL TRADING PARTNERS (PERCENTAGE SHARES)

	<i>Exports</i>		<i>Imports</i>	
	1973	1979	1973	1979
Total trade	100	100	100	100
EEC	23	26	27	26
USA	14	12	18	11
Japan	14	11	9	7
USSR	13	14	10	7
Asia, including West Asia	18	23	16	30

SOURCE: *The Economic Times* (Bombay), January 17, 1982.

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critique of Perry Anderson's *Considerations on Western Marxism* and E M S Namboodiripad's review of Debiprasad Chattopadhyaya's *Lenin the Philosopher*. The former informs us that New Left is simply "Anderson and his ilk", while the latter tells us that the other similar critics are "Mao Zedong whose dabbling into the theory of contradictions and his anti-Leninist perceptions of world reality are inseparable from one another" and "India's Marxist-Leninists—(those) sections who look upon 'Mao's theory of contradictions' as a development of Marxism". Presumably, Madhu Prasad and her ilk will, in subsequent articles, elaborate on the "ilk" of Anderson. For the present New Left is only Perry Anderson and "other similar tendencies" allude to Maoism alone.

The criminals have been tracked. But what is their crime? Anti-Leninism, of course! But there is Leninism and Leninism, and these sinister characters have, time and again, quoted from the texts to claim their Leninist antecedents. So what does SS mean by Leninism which these devious anti-Leninists oppose? Namboodiripad, a very precise philosopher who shuns the amateurish dabbling of Mao, has given us some pointers. We are told that Lenin devoted his 'short life' to "the struggle against revisionism". (We had thought that there were other varieties of anti-Marxists too against whom he had polemicised. But let that pass). So Leninism is anti-revisionism. Now, this is a word which has to be problematised. We are told further on that Lenin in his most important tracts fought non-proletarian ideologies. So he was a proletarian ideologue. But so would the Maoists claim for Mao. Let us go on: "(Lenin) being a true Marxist defended the tenets of Marxism". Good for him, perhaps? But not much there for us. So we move on to the pithy philosophical statements. Namboodiripad says that Lenin's great contribution was to shift the emphasis (within dialectical materialism) to dialectics. Clarifying, he adds: "He (Lenin) was using Hegelian dialectics to substantiate the materialist world outlook". To Namboodiripad, apparently, 'dialectical materialism' is not a whole world view. Marxism is merely the synthesis, or symbiosis, or (perhaps more impressively) the dialectical unity of two totally different philosophies (or of a method of a philosophy and a philosophy) which can exist separately and again can be used for substantiating one another. This begs the question whether the method, or protocol of proof, is separable from the underlying philosophy and its epistemology. Namboodiripad demands even more than this: not only the separation but the transplanting of alien method into a philosophy. To raise the question is not to prejudge the issue. He may be right, but considering that so much has been written,¹ particularly by the European 'Marxists' which contends that dialectics and materialism are not separable, that it is not as if one is a method and the other a philosophy, an opposite position can only be

established through a critique. That, of course, is missing from Namboodiripad's review.

To come to the last light from Namboodiripad, "Lenin's perception of the capitalist world in its last legs was, in short, the background against which his philosophical works made their appearance. Remove this world outlook and Lenin's philosophy loses its scientific character". This is characteristic of Namboodiripad's style: 'world outlook' here is just Lenin's perception of a particular historical circumstance. In the previous quote it means a philosophy. Again let it pass. But then what sort of a philosophy was Lenin's if the disappearance or appearance of a particular historical situation (or the perception of it) is sufficient to remove its "scientific character"? And Mao was guilty of this crime, to perceive the times differently! But even this offence remains to be proved.

Namboodiripad leaves us high and dry, so let us turn back to Madhu Prasad's admonitions on philosophy. To give her due, she is more definite than Namboodiripad. A couple of criticisms she offers against Anderson's work are justified though not original or coherently argued. The perfunctory treatment meted out to Stalin adds nothing and could be theoretically misleading. Secondly, the interpretation of a historical circumstance by the backward-forward metaphor substitutes a description for analysis. In any case this dead horse has been flogged far too often.

To return to Anderson's theme and Prasad's criticism of it: the former's essay under fire is basically a work within the domain of sociology of knowledge. To understand its relevance and focus, it has to be properly situated. Its origin lies in the debate between the Board of the *New Left Review* before 1962 (hereafter old NLR) and the editorial board after 1962 (hereafter new NLR). The positions of the former are exemplified in the works of E P Thompson and that of the latter in that of Perry Anderson and Tom Nairn. The debate originated in circumstances in which the new NLR supplanted the old NLR and began as a debate within British historiography. In the course of the argument it broadened, and a great many interesting theoretical issues were thrown up. One can attempt only a very schematic mention of the debate in order to locate this particular text. In the essay, "Origins of the Present Crisis",² Anderson argued that on account of a number of historical circumstances (most importantly the origins of the bourgeoisie, the pioneering nature of the change and the adaptability of the feudal aristocracy) the British bourgeois revolution had remained incomplete. This created a mixed (feudal and bourgeois) culture and ethos and a 'subaltern' working class without the theoretical maturity of the European working class. It was blanketed in the "English fog (of) traditionalism and empiricism". This, in the opinion of the new NLR, blunted both social practice and enquiry. Thompson, in the "Peculiarities of the

English",³ more or less vanquished the new NLR by pointing out the slipshod nature of the historical material served by Anderson. The latter's reply in "Socialism and Pseudo-Empiricism"⁴ was vituperative and not quite substantial. His position was further developed in the essay "Components of the National Culture".⁵ Here he argued that Britain, since World War I, had failed to develop "either a Marxism or classical sociology of the serious kind" because it "lacked any tradition of Western Marxism in this epoch". This lacuna was sought to be filled by the new NLR by publishing and discussing the works of contemporary Western Marxists. The essay, *Considerations on Western Marxism* (1976) (hereafter *Considerations*) was originally intended as an introduction to a collection of such articles on Western Marxists. In the meantime, Thompson had brought to the fore the importance of the works of William Morris, Christopher Caudwell and others of the native British tradition. *Considerations* did not discuss these issues because of its limited purpose, but the issue was fairly taken up again in Anderson's *Arguments within English Marxism* (1980) (hereafter *Arguments*). Here he concedes much to English Marxism, makes a more definite criticism of the theoreticism of Western Marxists and upholds a position between overemphasis of empirical 'facts' on one hand and esoteric theory on the other. Not that this conflict is definitively solved. Indeed this can hardly be 'solved' in any static sense.

To sum up then, the debate between the old and the new NLR is in fact a debate in proxy between the European Marxists and the English Marxists of the post-World War II era. Madhu Prasad's interpretation of *Considerations* thus comes as a revelation. In a way the supporters of Anderson and Nairn may indeed be induced to substantiate much of what Prasad says, for this would cure them of the stigma of Stalinist theorisation which has so often been located in their works as in those of Althusser by Thompson.

Placed in the context of this debate *Considerations* assumes its proper importance. It locates the common strands in the works of West European Marxists of the post-World War II generation and tries to trace their growth and the reasons behind them. The formal shifts (to philosophy from political economy and politics, to abstruse language, to uses of bourgeois philosophic concepts, to the epistemologies derived from pre-Marx philosophers) and the thematic innovations (in analysis of the superstructure, in new dimensions to the man-nature conflict and alienation, novel discussions on the place and role of ideology) are traced to the life and times of the theoreticians. On the personal plane all the theorists (Althusser, Colletti, Della Volpe, Adorno, Horkheimer, Sartre, etc.) were professional philosophers. The time was one of a retreat for the workers movement in western Europe and stagnancy of thought in eastern Europe. Appropriately it was philosophers (not organic intellectuals) who

determined the course of development of Marxist theory in the West. Both combined to determine that in its method of analysis (formal structure) and preoccupations (thematic content) Western Marxism should be divorced from Marxist practice.

What is Leninism according to Madhu Prasad and how does Anderson oppose Lenin? Leninism is nothing but the literal text of the three gospels: *Foundations of Leninism* by Stalin and Lenin's *Imperialism the Highest Stage of Capitalism* and *State and Revolution*. Anderson is charged with heresy on a number of counts. *First count*: Anderson is anti-Leninist in the very choice of his object of study—Marxist thought as it evolved in Western Europe after the death of Lenin. Thus in time he ignores Lenin, in place he ignores the East European heirs of Lenin (Stalin and his followers).

Second count: The material condition of Lenin's work was, says Prasad, capitalism, transformed into imperialism, had "grown into a world system of colonial oppression and of the financial strangulation of the overwhelming majority of the population of the world by a handful of 'advanced' countries". But Anderson reduces Leninism to nothing but the strategy and tactics of revolution in backward Russia. He then selects a convenient time (1945-68) and a convenient place (Western Europe) to claim that the conjuncture was different from Russia and hence produced Marxist theory with a different focus. By conveniently dealing with a different time and place Anderson underscores his distance from Lenin's prognostications about 20th century capitalism. This, of course, is anti-Leninism!

Third count: Anderson has raised the mere form of adult suffrage to the status of a state power distinct from all hitherto known state powers analysed by Lenin. This dangerous anti-Leninist position is implicit in the importance given to Western Marxist analyses of the bourgeois state apparatus.

About the first charge, the object of study—Western Marxism—was predetermined by the nature of the debate within which Anderson was intervening: that between British 'empiricism' and West European 'theoreticism'. It is not an object of study, *per se*, which can be Leninist or anti-Leninist, but the criteria of evaluation. And here Anderson adheres strictly to Leninist norms. This leads him to be critical of the disjunction between Marxist theory and political practice evident in Western Marxism.

The essential question in the second charge is whether studies and further studies in moribund capitalism (by blowing up regions of world monopoly capitalism in time and space) should be considered antagonistic to Leninism, particularly if the region is apparently aberrant in terms of Lenin's prognosis. Every polemical text is limited in scope by the nature of the opposition, as we have mentioned at the outset. *Imperialism the Highest Stage of Capitalism* was a polemical tract intended essentially to expose and fight the

criticism of Anderson on this score seems all the more incongruous considering the latter's unequivocal disengagement from a reformist strategy:

For us, a socialist revolution means something harder and more precise: the dissolution of the existing capitalist state, the expropriation of the possessing classes from the means of production, and the construction of a new type of state and economic order, in which the associated producers can for the first time exercise direct control over their working lives and direct power over their political government.⁶

Would Prasad consider this anti-Leninist?

We have tried to answer Madhu Prasad's criticisms of Anderson's various anti-Leninist sins. If we have been a bit fuzzy in our arguments we may perhaps be pardoned considering the difficult terrain we had ventured into, for Prasad is both elusive and allusive. *Elusive* in her critique as philosophy, theory, strategy, tactics dance about as in a masked ball. When you think you have come to grips with her philosophical criticism you find that it is only a tactic you were pursuing. At the outset she quotes from Stalin's *Foundations of Leninism*: "Leninism is Marxism of the era of Imperialism and the proletarian revolution. To be more exact Leninism is the theory and tactics of the proletarian revolution in general, the theory and tactics of the dictatorship of the proletariat in particular." She contends that this "simple truth" is wilfully overlooked by Anderson. The quotation itself is rather unhappy and Prasad finds its imprecision to her taste. Having accomplished this simplification by decree, one is left guessing whether Leninism itself is the philosophy. Or, does it provide the theory for all political practice? Or is it just the strategy of proletarian revolution? Or the tactics of the Russian revolution? The texts she quotes are polemical, but she exalts them to the general (theoretical) level and then, quite glibly, uses them to deny the need for analysis of other conjunctures. Elusion is also the hallmark of E M S Namboodiripad's critique. Allusive is what we meant by 'making faces behind the back'. Prasad seems to be as much opposed to the theories whose process of becoming Anderson has interpreted, as to the interpretation itself. If opposition was against the latter alone, it could have been criticised along with the setting out of a more plausible interpretation of the growth of this body of literature. Otherwise argument is difficult, for Anderson is a particularly inappropriate scapegoat for the Western Marxists. He is as much opposed to them as he is, for separate reasons, to Thompson.

Strait-jackets or simple ahistorical oppositions (Hegelian-anti-Hegelian, Leninist-anti-Leninist) especially when not accompanied

Reply

AT the outset I would like to dispel some of the notions that Ghosh and Basu, in their rejoinder, claim to have derived from my article. Although many of these are predictably concerned with inessentials, I begin with them to emphasise the point that, whatever else may be desirable, shoddy and careless reading of the views to be opposed can hardly be the basis of a "serious defence of polemics".

I have been accused of informing Ghosh and Basu that the New Left is "simply 'Anderson and his ilk' ". Had they read the article they might have noticed that the term 'New Left' does not even figure in it. The statement that Anderson represents one trend in this amorphous body of literature is found in the Editorial Note. If this is what is being objected to, it should be clearly stated.

I was also not a little surprised to find portions of my criticism of Anderson rephrased and served up as admonitions to me. Thus Ghosh and Basu assert that, "the perfunctory treatment meted out to Stalin adds nothing and could be theoretically misleading. Secondly, the interpretation of a historical circumstance by the backward-forward metaphor substitutes a description for an analysis." Quite right, but this is what *Anderson* is doing and my article states it unambiguously.

"In this case the ready scapegoat (Stalin) is presented in terms of pure bourgeois prejudice, with not a hint of an analysis of the experiences of socialist states. If there is no evaluation of Stalin's leadership ... there is no shortage of innuendoes." And a few paragraphs later, I illustrate the inadequacy of Anderson's use of the backward-forward metaphor, contrasting Lenin's assessment of the material conditions of his theoretical formulations, with Anderson's attempt to prefix Lenin's writings with the stamp of Russian "backwardness".

Further, although I have specifically stated that my article is not concerned with Anderson's account of "European socio-political thought", but with his assessment of a historical phase of the proletarian movement—not just its empirical, but more importantly, its theoretical and organisational aspects—which precisely supplies him with his "criteria of evaluation", Ghosh and Basu claim that I have dubbed the "object of study" anti-Leninist, while only criteria could be so defined!

I have dubbed the search for a "Western" Marxist tradition anti-Leninist for the following reasons:

- 1) identifying the search as valid demands the assumption that

the value of Lenin's theoretical contribution be treated as limited to grasping the conditions in Russia at the time;

2) the "success" of the enterprise, i.e. the actual identification of work that could fit into tradition so defined, is possible only by the assertion that the disjunction between theory and practice characteristic of these writings is both a product and evidence of the failure of Lenin's analysis to come to grips with the reality of the class struggle in Europe.

The purpose of my article was precisely to show that Anderson, on the strength of assumptions of the first kind (occasional panegyrics to Lenin notwithstanding), claims to arrive at conclusions of the second sort on all crucial questions—the characterisation of Imperialism as an epoch, the nature of the State, etc.

Ghosh and Basu are obviously unable to grasp the difference between a search for a tradition of Marxism that repudiates Leninist theory in all but its historically defined "Russian" conditions, and the creative application and development of the theory through the study of historical conjunctures, to use a phrase of which they are particularly fond. Consequently they naively claim that Anderson in identifying a "Western" Marxism is undertaking a study of Marxist thought as it evolved in Europe after Lenin's death. The difference in the case of Anderson's account amounts to treating Lenin's analysis of an epoch as one of a historical conjuncture, with the implicit recommendation that localised Marxisms are not only desirable but positively essential for the sort of revolutionary victory that the Bolsheviks achieved under Lenin's leadership. And Ghosh and Basu would have us believe that this conclusion follows from Anderson's having strictly adhered to Leninist norms.

Ghosh and Basu assert that Leninism, for me (and my ilk, I presume) is limited to "three gospels" and that I apparently believe that *State and Revolution* exhausts all that has to be said about the State, just as *Imperialism, the Highest Stage of Capitalism* exhausts all that has to be said about Imperialism. This is not really surprising for they believe that these writings have no value beyond the specificities of the debates that occasioned them. Thus *State and Revolution* is an anti-anarchist work and *Imperialism* an anti-Kautskyian one. The former casts light on the process of the withering away of the State while the latter illustrates that "the imperialist epoch could not show a buoyant trend". Consequently they assert that Anderson "adheres strictly to Leninist norms" in casting light on how the democratic facade of law may be used in the pre-revolutionary stage, or on the other hand of the seductivity of this institution and the consequent pitfalls for communist parties in these regimes and on periods of buoyancy within the long-run trend and its repercussions on the construction of theory. The fact that I have explicitly rejected this view of Anderson's text is dismissed as a consequence of my

'belief' that Lenin's *State and Revolution* and *Imperialism* 'exhaust' all that has to be said on the matter.

Basu and Ghosh have followed Anderson to the point where, in their view, any justifiable criticism of his position would of necessity be merely peripheral. I have specifically referred to Lenin's *Imperialism* not because it 'exhausts' the subject, but because it provides "a composite picture of the world capitalist system in its international relationship" (*Imperialism*, p 7). It thus contrasts sharply with Anderson's picture of capitalism in its "Central and Western European" relationship. The latter obliterates the contours of Lenin's analysis and reduces the category 'imperialism' to insignificance, as is evident from Anderson's conclusion that "this was also the *epoch* of an unparalleled objective consolidation of capital throughout the advanced industrial world ... a new phase in the development of the mode of production as such, apparently confounding classical predictions". The geographical and historical limitations imposed by Anderson's account are used to effect a fundamental theoretical shift from Lenin; and one would have to be really naive to accept the interpretation that they serve merely to focus on "periods of buoyancy within the long-run trend".

Lenin's concern, in *State and Revolution*, with the nature of the State as an organ of class rule, is not merely academic. His analysis of the class character of all States, and the inclusion of democratic republics as a form of the bourgeois State is significant; it emphasises precisely the necessity of the dictatorship of the proletariat, i.e., "*the proletariat organised as a ruling class*" (*State and Revolution*, p 254) for the success of the socialist revolution. Nor does Lenin mince words in precisely identifying the organisation necessary for initiating and bringing to completion the tasks of socialism.

"The proletariat needs state power;... both to crush the resistance of the exploiters and to *lead* the enormous mass of the population—the peasants, the petty bourgeoisie, and semi-proletarians—in the work of organising a socialist economy. By educating the workers' party, Marxism educates the vanguard of the proletariat, capable of assuming power and *leading the whole people* to socialism, of directing and organising the new system, of being...the leader of all the working and exploited people in organising their social life without the bourgeoisie and against the bourgeoisie" (*State and Revolution*, p.255):

Convinced of Anderson's "unequivocal disengagement from a reformist strategy", Basu and Ghosh reproduce his "harder and more precise" meaning of the socialist revolution, concluding with the rhetorical poser, "Would Prasad consider this anti-Leninist?" Unashamedly following the precision of my "gospel" to expose the hollowness of Anderson's apparent revolutionism, I would ask Basu and Ghosh to look more closely at the selection they have made from

Anderson and see if they would consider it 'Leninist'. Here is what the socialist revolution means to Anderson: "the dissolution of the existing capitalist state, the expropriation of the possessing classes from the means of production, and the construction of a new type of state and economic order, in which the associated producers can for the first time exercise direct control over their working lives and direct power over their political government."

What is absent from this statement is precisely Lenin's central theme, i. e., the proletariat organised as the ruling class. Instead we have the ambiguous phrase, "associated producers". But how are these 'producers' to be identified in class terms? Where Lenin distinguishes between 'producers', the exploited, in terms of the classes to which they belong, asserting thereby the significance of the leadership of the proletariat in the struggle for socialism, Anderson, by the use of the term 'producers', attempts to level out the class distinctions. As such he is silent on the question which is central to the class character of the socialist revolution—the leadership of the working class.

A direct consequence of this is Anderson's conception of a "new type of state and economic order in which the associated producers" have certain economic and political rights. However radical Anderson's commitment to "direct control over their working lives and direct power over their political government" may appear, it effectively rests on denying his class-neutral producers the right to constitute the State. The crucial difference between the "existing capitalist state" and the "new type of state" is thus a difference between a class State and a State which transcends class differentiations. But how is one to distinguish this assertion of the state, while remaining supremely indifferent to its class nature, from the idealised Hegelian conception of the state? And how is one to incorporate it within the Marxist-Leninist conception of the state?

Further, as my article shows, Anderson is of the view that stable parliamentary democracies in the advanced capitalist countries are providing the conditions, by developing the "cultural skills and self-confidence" of the exploited, for effecting the transition to the "new type state". Thus the mass revolutionary movement in Europe does not require organisational constraints, class leadership or finally even a class State. Now the struggle too is deprived of its class character so that Anderson's view of the struggle between Imperialism and Socialism, as my article states, necessitates its reduction to "an absurd opposition between 'bureaucratic regimes' and 'democracy based on fully universal suffrage'".

In conclusion, I would like to state that I do not share Basu's and Ghosh's concern over the fact that I do not identify Tom Nairn or E.P. Thompson. The scope of my criticism is much wider. Anderson himself presents the text in question as the cumulative product of

BOOK REVIEW

GEORGE LUKÁCS, *GELEBTES DENKEN. EINE AUTOBIOGRAPHIE IM DIALOG*, (ed) Istvan Eörsi, Frankfurt, 1981.

IN 1971, in virtually the last months of his life, the 86-year-old Lukács drafted the outlines of an autobiographical sketch. Rapidly deteriorating health which prevented him from working with the required energy on the revision of his last theoretical effort, the *Ontology of Social Being*, also made it impossible for him to develop the sketch into a full-length autobiography. The editor tells us that the scrupulous scholar Lukács no longer had the strength to consult archives or libraries for material to confirm his memory. Following the advice of his students he recorded in May 1971 a series of conversations in which aspects of the sketch were amplified. Istvan Eörsi who has edited the volume, reports the extraordinary act of will and strength Lukács summoned in order to complete the interviews. Since all aspects could not be covered, Eörsi has collated earlier interviews he conducted with Lukács in order to provide chronological coherence and readability. This is of course philologically a problematical procedure which moreover strengthens the already large editorial presence and imposes an interpretative filter onto the sketch. An editorial preface, the edited conversations and the sketch constitute the volume.

The 40-page sketch with its telegram-style compression oscillates between discursive clarity, crypticness, opaqueness, and reading it one turns to the conversational amplifications, editorial interpretations and returns to the sketch, fascinated by the scope and complexity of the material provided. It is the same fascination that emanates from Lukács' books—a fascination that persists in the reader in spite of numerous and necessary differences of opinion.

Excerpts from the sketch were included earlier in an attractive pictorial biography (Budapest 1980; Stuttgart 1981), and there are indications that more material lying in the Lukács Archive in Budapest will be published soon. In particular a projected volume of letters will tell us more about some aspects of his life, specially the great life-crises after his friend Irma Seidler committed suicide in 1911. The sketch and conversations contain forthright opinions on his contemporaries, and one of the coherent sections is a tribute to the role his wife Gertrud Bortstieber-Lukács played in his life, notably in the decision to join the Hungarian Communist Party.

The title "Gelebttes Denken" does not quite "click" in English.

Literally 'Lived Thought', it connotes the nexus between life and thought Lukacs was trying to capture. The fact that the autobiography was never written out is a great loss, because Lukacs was aware of the methodological problems of writing autobiographies to an extent often lacking in other writers of memoirs. The subjective nature of the autobiography lies for Lukacs in its attempt to show "how in the context of a given development a person comes to himself (*zu sich kommt*) or misses himself". This has to be based on the objective corrective of temporal exactness. The chronology must be correct. The effort lies in capturing the specific *essential* lines of development. "Not my life in its *immediate* sense. Only how (humanly how) from life this direction of thought, this mode of thought (this behaviour) towards life arose." The significance of past acts emerges from the heightened awareness of the point of view of the biographer. Lukacs does not read meaning into past situations — that is how a positivist would look at it. Rather, the dialectics of reconstruction of the past allows the essential significance of past actions to emerge in their coherence. The actor is unable to oversee the totality available to the autobiographical view. Individuality is neither the origin nor the goal. It is the complicated and difficult perspective of capturing how "individual qualities, inclinations, tendencies developing according to circumstances have tried to merge into the generic, species specific (*Gattungsmassigkeit*)". The shade of Hegel lies unmistakably over these notes of a Marxist:

In the conversations Lukacs insisted on the strong connection between everything in his life, on his *organic* development. The Autobiographer capturing this organic development was both poet and philosopher. The philosopher's abstraction and the danger of generalisation from spontaneous action much too early are counterposed by the poet's memory of concrete (!) feelings.

Lukacs was born in 1885 in an affluent "pure Jewish family" settled in Budapest. The father was a rich and successful banker. Interestingly, he remarks that the Jewish background is precisely the reason why Jewish or Zionist ideologies had no influence on him. In common with the life styles of many other assimilated Central European Jewish families, Lukacs' family looked upon religion as ceremonial necessity, as a matter of home *protocol*. He relates his father's ironic remark at the beginning of the Zionist movement that if a Jewish state were to be constituted he would like to be its counsel in Budapest. But protocol, whether resulting from religious conventions or social etiquette, with its attendant hypocrisy, was a matter Lukacs revolted against spontaneously. He relates an amusing but extremely characteristic anecdote. As a small boy he waged a 'partisan war' against his strict mother who punished the children for their mistakes by shutting them in a dark room till they apologised. His brother and sister immediately apologised; but Lukacs differed

sharply. If he was shut up in the morning he apologised quickly. But if he was punished after 1 p.m. he refused to apologise. The reason was simple. His mother wished to avoid tensions after his father got home at 1.30. The result was that he was let out without an apology before 1.30. He set protocol against protocol. One recognises the tactician Lukacs.

The counter-world to domestic protocol was provided by the world of literature. At the age of nine he discovered the *Iliad* and Cooper's novels. He sided instinctively with the losers, with Hector and the Mohicans against their conquerors. For Lukacs this is important, because his father (whom Lukacs otherwise liked and respected), as a successful banker, considered success as the criterion for right action. But from literature Lukacs learned that there is no necessary relation between the two.

The road from a child's rejection of protocol and convention which are not rationally justifiable to a critique of society was a protracted process in the development of self-awareness. An important role in this was played again by modern literature. The discovery at the age of 15 of Baudelaire, Verlaine, Zola, Swinburne, Ibsen exerted a strong influence on him and helped him to grasp the connection between a critique of convention and a critique of social order within which it is situated.

A realistic assessment of his abilities seems to have characterised Lukacs right from the beginning. He was obviously extremely precocious playing a public literary role even before he was 18. But he soon realised that he was not a creative writer and destroyed all his works at 18 and retained what he calls a secret criterion for literature: anything he could write himself was bad literature. Good literature started after that. Literary criticism and philosophy started absorbing his interest.

The sketch and conversations are full of interesting insights and assessments of his contemporaries, of political events and developments. But it is not possible for a reviewer to match the autobiographer in commenting on every portion and problem of the chronology. Instead we shall restrict ourselves to focussing on one important aspect: *Lenin and the Road to Marx*, which emerges with great clarity from the book. It is well known that the variation of bourgeois philosophy called 'Western Marxism' has practically canonised Lukacs' *History and Class Consciousness* (1923). The sketch and conversations once again emphasise a position Lukacs developed in numerous other writings. It was only after overcoming the limitations of *History and Class Consciousness* by studying Lenin that Lukacs was able to take the road to Marx.

After his doctorate in Budapest (1906) Lukacs studied and lived mainly in Berlin and Heidelberg, where, among others, Georg Simmel, Max Weber, Paul Ernst, Emil Lask, Ernst Bloch were

important friends and influences. Lukacs characterised the theoretical position he had reached in the period before the First World War as a synthesis of "conservative epistemology and left wing ethics". His opposition to the war was total and led to a break in the friendship with many German colleagues who became victims of the nationalist fever. Lukacs saw the war as a product of all the social forces he had hated since his earliest youth. For him the pseudo-consolidation in Europe till 1914 was, in Fichte's terms, "the age of completed (*vollendet*) sinfulness". His well known position was: "The German and the Austrian armies will probably defeat the Russians and Romanovs will collapse. That is good. It is possible that the German and Austrian armies will be defeated by the English and French armies, and that the Habsburgs and Hohenzollerns will collapse. That is good. But who will then protect us from Western democracy?" It was a historical-philosophical position which led Lukacs to "remain outside. Since more than the 'Theory of the Novel' as protest impossible for me. Sympathy for Jaures and Liebknecht without the slightest possibility of going their way." Looking back, Lukacs emphasises that what was missing was the Leninist perspective. The answer to his problem was provided by the October Revolution. He mentions in this context that the "honour of the International was saved almost exclusively by Lenin who announced that the task of the working class lay in overthrowing capitalism precisely in connection with the war. We were able to approach this insight exclusively via Lenin".

After a period of hesitancy Lukacs joined the Hungarian Communist Party and played an important role in the Hungarian Commune (1918/1919). But he emphasises that there was no real knowledge about Lenin in the Hungarian movement. It was only after the counter-revolution forced him to emigrate to Vienna for ten years that he started studying Lenin and realising his "real theoretical importance" and the importance of his "intellectual, practical, moral physiognomy". "With the exception, in a specific sense of Lenin", Lukacs notes, "no one has realised that the social emergence of the new man is a factual synthesis of all individual attempts at coming to terms in honest revolutionary manner with the new reality."

Lukacs' Marx-Lenin studies in Vienna were conducted however in the context of the Hungarian Communist Party in exile trying to come to terms with the collapse of the commune. He caustically remarks that like the others he was a "messianic sectarian", convinced that the world revolution would come the next day. This attitude influenced *History and Class Consciousness* towards ultra-left radicalism. Lukacs notes: "Hope kept alive by actions." Lenin's rejection of his position made a profound impression on Lukacs. Lukacs repeats the criticism he made elsewhere, too, that the basic mistake of the book was ontological. Since only social being is recognised and the dialectics of nature rejected, it missed precisely the *universality* of

Marxism "which derives organic nature from the inorganic and through labour derives society from organic nature." This, Lukacs adds, is perhaps the reason why the bourgeoisie is so receptive to the book particularly during the student movement days. From then on, helped by Lenin's criticism, the establishment of the philosophical basis of the universality of Marxism became Lukacs' main concern which he was able to develop during his long stay at the Marx-Engels Institute in Moscow. In this context Lukacs significantly emphasises the positive role of Stalin. Lukacs is of course fully aware of the necessity of a full critique of the Stalin era and the Moscow trials. In his 1957 postscript to *Road to Marx* (1933) he had emphasised the historical necessity of the trials and had reminded us that the central question then was the defeat of fascism. "Right or wrong, my Party", was Lukacs declared position. In the fragment he mentions that Bloch too in America refused to side with the Trotskyites. To weaken the Soviet Union by critique meant strengthening Fascism. In the conversations Lukacs sees the real problems of the trials in the fact that they continued a tactical line beyond the period in which it was necessary. "After the Bukharin trial the opposition was defeated," notes Lukacs. "With Marx and Lenin the basic line of social development in a specific direction was given. Within this basic line certain strategic problems result in every period. Within this basic line the tactical problems arise. Stalin reversed this order. He considered the tactical problem as primary and derived the theoretical generalisations from it". But a full critique cannot ignore Stalin's historical contribution. For Lukacs it was extremely relevant that, in the philosophical debate initiated by Stalin against Deborin and his school, "Stalin represented an extraordinarily important position which played a positive role in my development." Stalin attacked the Plekhanovian orthodoxy and rejected its claim to interpret Marx. He emphasised the Leninist position. Lukacs extended the critique to Mehring's incorporation of Kantian aesthetics into Marxism, and Plekhanov's positivist aesthetics. The central point made by Stalin was directed against eclecticism, according to which Marx's theory is relevant for socio-economic questions and requires "additions" for other areas. Lukacs states: "I interpreted Stalin's struggle against the Plekhanov orthodoxy to mean that Marxism is a universal *Weltanschauung* which therefore has its own aesthetics and which Marxism need not adopt from Kant or elsewhere". The Aesthetics and Ontology of Marxism were from then on Lukacs' central theoretical concerns.

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'Neo-Marxism' and Underdevelopment
Mirror of Inequality: Reinterpretation of
'Homo Hierarchicus' □ Further on World
Capitalist Crisis □ On Assam Movement

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Articles, communication, discussions and review express the views of the authors and not necessarily of the editors or of the Indian School of Social Sciences

Editorial Note

THE LEAD article in this number by Utsa Patnaik examines critically the work of three very influential authors, Andre Gunder Frank, Samir Amin and Immanuel Wallerstein. All these three authors, she argues, employ in effect a concept of capitalism that makes it identical with production for the market, rather than, as Marxist theory does, with generalised commodity production where labour-power itself has become a commodity, i. e., where production for the market is undertaken *on the basis of free wage-labour*. Thus, commodity production, which Marxist theory considers to be a necessary condition for the existence of capitalism, is elevated by these authors into a sufficient condition. Their categories and their emphasis, therefore, relate to the sphere of circulation rather than the sphere of production; she characterises the tendency represented by these authors as "circulationism" and traces their lineage to Sweezy's position in the 1950's *Science and Society* debate on the transition from feudalism to capitalism.

But what appeared in Sweezy's contribution as merely a difference of emphasis within the Marxist tradition, developed in Frank's work into a questionable aberration from this tradition, and reached its logical culmination in Amin's work as a complete departure from this tradition. Since participation in the world capitalist market, Amin argues, involves a transfer of value from one country to another via unequal exchange, all such countries can be divided into a centre and a periphery, the former exploiting the latter. Within the centre he includes not only the United States and Western Europe but also the Soviet Union, while within the periphery he includes not only India, Indonesia and other similar countries, but also China and Vietnam. Not only are all differences between modes of production obliterated by the circulationist criterion of participation in the world capitalist market, but advanced socialist countries are projected

as exploiters on a par with advanced capitalist countries by using a completely erroneous theory of unequal exchange.

Such theories are not only un-Marxist; despite their being frequently mistaken for examples of "Creative Marxism", they do not even contain the insights, however partial and limited, that one often finds in avowed bourgeois writers. We wish to draw the readers' attention to Utsa Patnaik's critique of the "Circulationist" tendency in general, and such theories in particular, and hope that this would stimulate discussion and debate.

Some of the comments made in Venkatesh Athreya's communication on the *Social Scientist* (No. 108) discussion on the world capitalist crisis touch on related points. Sweezy's refusal to characterise socialist countries as socialist and his concept of "post-revolutionary societies", Athreya argues, not only involve the abandonment of the Marxist concept of the mode of production, but its substitution by a diffuse and eclectic term with little analytical content.

Judy Whitehead's article on caste, apart from criticising the idealist position of Louis Dumont, provides an interesting hypothesis on the role of caste in a pre-capitalist society. While opposing any attempt merely to reduce caste to class or vice-versa, i. e., any attempt merely to impose a caste-idea or a class-idea ignoring the complex relation between the two, she sees the role of caste as governing the circulation and distribution of total product in a non-commoditised exchange economy, just as the law of value constitutes the governing principle behind the exchange ratios and hence the distribution of output in commodity production. In pre-capitalist societies, unlike in capitalism, "the economy is not separated as a self-contained entity" and elements of the superstructure—law, custom, politics and religion—intrude directly into the functioning of the economy instead of simply constituting its external parameters, determined in the last instance by the relations of production. Hence the circulation and distribution of products, determined by custom and the customary rights of castes, acquires and is sustained by religious sanction, though the customary rights themselves ultimately derive from a combination of control of land, political power, nature of the occupation, and the relative demand for a particular product.

While the argument is somewhat speculative, more in the nature of a hypothesis, and is obviously contentious, it has a degree of boldness and originality which deserve serious attention. Our understanding of the question can be enriched only through discussion and controversy, and this article should provoke a good deal of it.

And finally we publish a discussion on the Assam movement and the position that the left should take vis-a-vis the movement to which Hiren Gohain and Suneet Chopra contribute. We welcome comments from readers on the questions raised in the discussion.

*'Neo-Marxian' Theories of Capitalism and
Underdevelopment: Towards a Critique*

DURING the last two decades, a number of academics have analysed the problems of underdevelopment in the historical context from what is widely regarded as a 'Marxian' perspective. The origins of underdevelopment in imperialist domination; the nature of the relationship between metropolis and colony; the character of economic development in the latter—these have been the main issues under debate. These discussions are closely linked, it seems to us, with alternative theoretical positions on the process of transition from feudalism to capitalism; with the very concepts of 'feudalism' versus 'capitalism'; and with the question of the applicability of theories of 'unequal exchange'.

We propose to examine critically a particular tendency of theorising in this field, picking out three authors who have contributed at various levels to the debate: firstly, I. Wallerstein, who in his *The Modern World System: Capitalist Agriculture and the Origin of the European World Economy in the 16th Century*, offers a new interpretation of the process of transition from feudalism to capitalism; A. Gunter Frank, who in his *Capitalism and Underdevelopment in Latin America* and subsequent works puts forward the now well-known thesis on capitalist development of the metropolis producing 'capitalist underdevelopment' in the colony; finally, Samir Amin, who in *Unequal Development* and in *Accumulation on a World Scale*, attempts to analyse the relationship between metropolitan and dependant economies in terms of the theory of 'unequal exchange' within the constituents of a single 'world capitalist system'.

We do not propose to enter into a description, however summary, of what these authors have to say. We will, rather, focus on the implications of certain basic theoretical concepts they employ and their relationship to Marxist concepts. The basic propositions we put forward in the course of the critique may be

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summarised as follows: (1) The concept of capitalism adopted by the authors concerned relates the definition of capitalism to production for the market alone. In this, we see the logical development, carried to its extreme, of the emphasis on the role of the market in feudal disintegration, advanced by P. Sweezy in the course of the well-known debate on the transition from feudalism to capitalism (which followed the publication of M. Dobb's *Studies in the Development of Capitalism*). We argue that the Sweezyite position relies implicitly on differentiating feudalism from capitalism in terms of market orientation, rather than in terms of production relations. This failure to emphasise the distinction between commodity production and generalised commodity production, leads ultimately to the 'Circulationism' observed in the writings of the authors under discussion. (2) Given the basic concept of a 'capitalist system' defined primarily in terms of production for the market, these authors have no difficulty in characterising the entire world from the 16th century onwards as a 'world capitalist system', and then in going on to argue from this formulation that each component of this 'world capitalist system', i. e., each colony and dependency has been 'capitalist' for the last four centuries. The erroneous characterisation is the logical outcome of the erroneous concepts of 'feudalism' and of 'capitalism' adopted. A complementary feature of this is the failure to grasp the distinction between pre-capitalist ground-rent and capitalist profit, as differing historical forms of surplus associated with differing modes of production. The analytical categories of 'rent' and 'profit' are therefore freely confused, since there is no appreciation of the difference between landed property, and capital. (3) The theory of 'unequal' exchange, first put forward by A. Emmanuel and used by Amin is fundamentally misconceived; (a) It abstracts, being a model of *competitive capitalist production* blown up on a world scale, from the crucial features of the historically existent relationships which were those of capitalist countries engaging in methods of primary accumulation which required *monopoly* power vis-a-vis *pre-capitalist* formations; (b) The model is internally not consistent and on application leads to its own breakdown. (4) The incorrect conception of 'capitalism' and 'feudalism' in terms of presence/absence of commodity production, implies logically a symmetrically erroneous conception also of socialist economy. Since the capitalist system is not distinguished by these authors from 'the socialist system' by anything other than involvement in the 'world capitalist market', the entry of socialist economies into trade is regarded as an automatic introduction of 'capitalism' into these systems. Because given the conceptual framework of these authors, 'transfer of surplus' takes place from underdeveloped countries to developed capitalist countries by virtue of both being part of a single 'world capitalist market', similar

'transfer of surplus' is postulated *between underdeveloped countries and developed socialist economies* by virtue of the latter engaging in trade with the former. Thus, the ultimate logical implication of this 'circulationist' viewpoint is to *deny the existent reality of imperialism*, by completely divorcing imperialism from the economic laws specific to the capitalist mode of production.

The above propositions making up our provisional critique are set out in greater detail below.

On the Concepts of Feudalism and Capitalism

Both Wallerstein and Frank adopt a concept of a 'capitalist system', which by defining it primarily in terms of 'production for the market' thereby ignores the importance of the production relation on the basis of which production is carried on, which in this case is the capital-wage labour relation. This is the logical outcome of adopting a Sweezyite position on the question of transition from feudalism to capitalism. In order to see this, let us briefly recapitulate those aspects of the 'Transition Debate' which are relevant for our purpose.

It will be recalled that in the now familiar debate¹ in the pages of *Science and Society* following P. Sweezy's review of M. Dobb's *Studies in the Development of Capitalism*, on the whole two distinct theoretical approaches to the problem emerged. Dobb, following closely the insights advanced by Marx in his too-brief discussions (in "Pre-capitalist Relationships", "Historical Facts about Merchants' Capital", and "The Genesis of Capitalist Ground-Rent") viewed feudalism as essentially the relationship between an enserviced peasantry which is obliged by extra-economic coercion to part with economic surplus, and a class of overlords appropriating this surplus by virtue of its monopoly of the property right in land: the form of payment might be directly as unpaid surplus labour (labour-rent), as the product of surplus labour (product-rent) or as the value of product of surplus labour (cash rent). Feudalism is therefore contemporaneous with serfdom, which is the modal production relation of feudal economy (though it may exist in a minor way also in other economic formations), while serfdom is *not* identical with labour-services (an assumption implicitly made by many) but can express itself in different forms of payment of feudal rent.

Feudal rent remains feudal rent, whatever its specific form—labour, produce, or money—as long as it is the petty producer in customary possession of non-land instruments of production who is paying it, and as long as its appropriator is the lord who derives the sanction for doing so from his property right in land (however obtained) and uses the method of custom backed by non-market coercion. (One implication of this concept of feudalism would be, that it is quite legitimate to characterise as feudal an economy such

as pre-Meiji Japan, where labour services as form of rent payment by peasants to overlords never existed and product-rent prevailed from the beginning).

The feudal production unit (peasant plots plus demesne) in Dobb's conception, might produce only for itself, or it might have a considerable degree of market orientation: but the relationship to the market *per se* does not affect the question of whether production is feudal. What does affect it, is the character of the production relation—whether there is serfdom, or not. There is no necessary direct connection between the market orientation of the feudal estate, and the monetisation or otherwise of rent payments: thus, an estate may produce for the market on the basis of labour services, i.e., labour-rent (though of course, the converse is not likely to hold; one would not expect an estate obtaining money rents, to be unconnected to the market).

It follows from this concept of the essential character of a feudal economy, that its breakdown is only possible if there are causes altering the production relation of feudalism, which is serfdom. The growth of commodity production, i.e., increasing sale of output on the market, by itself need not necessarily lead to the breakdown of serfdom: there can be serf-produced commodities, just as in classical Greece or Rome, there were slave-produced commodities. The servile burden on peasants might even be increased as market-orientation increases the lords' greed for revenue; as happened for example during the 'second serfdom' in Eastern Europe from the 16th century to which Engels referred. The impact of the growth of exchange is always mediated through production relations: where labour was scarce it led to increased extraction of labour-services, while where a class of propertyless day labourers had emerged (through previous peasant differentiation), it paid the lord to commute labour-services, thus opening up the possibility of more rapid peasant differentiation in an inflationary situation, leading to the emergence of an embryonic capitalist stratum in agriculture.

By contrast to this viewpoint, P Sweezy talked in terms of the 'feudal system' rather than 'the feudal mode of production', and sought the essential characteristic of 'the feudal system' in the fact that production was for use, rather than for exchange. For Sweezy, in a 'feudal system' "markets are for the most part local and...long-distance trade while not necessarily absent, plays no determining role in the purposes or methods of production. *The crucial feature of feudalism in this sense is that it is a system of production for use*".² Sweezy further questioned Dobb's identification of feudalism with serfdom; but did not, as H K Takahashi pointed out later, himself "indicate what it is that constitutes the special existence-form of labour-power proper to feudalism as a mode of production".³ For Sweezy, therefore, 'the feudal system' remains

undefined with respect to its basic production relation. Nevertheless Sweezy does talk of the 'breakdown of serfdom', but 'serfdom' is implicitly taken to be conterminous with labour services. If there is commutation to cash rent—which is associated with increased production for the market—then *ipso facto* serfdom no longer exists, or not in the same way as it did before, under the labour services plus production-for-use complex. Commutation is talked of as the breakdown of serfdom. From this concept of a 'feudal system' which regards 'production for use' as its most 'crucial' characteristic, it follows logically that the growth of exchange, of production for the market, has the effect of directly leading to its disintegration.

Sweezy was evidently influenced by the writings of H Pirenne, whom he quoted at length. Pirenne in his works—for example, *The Economic and Social History of Medieval Europe*—had put forward the proposition that the era of the classical feudalism of the great manors, was one of a drying up of trade in Europe following the 8th century Islamic conquests of the Eastern and Southern Mediterranean basin resulting in the enforced, almost total self-sufficiency of the great estates. With the revival of trade from the late 11th century onwards however, a process of disintegration of serfdom based on labour services set in, ultimately laying the groundwork for the emergence of capitalism. This thesis, (not accepted with regard to its factual bases today by most historians) was taken over by Sweezy *in toto*; a direct causal relationship being postulated by him between the growth of trade and the associated growth of towns on the one hand, and the disintegration of feudalism, on the other. This simple causation cannot of course explain the fact, pointed out by Dobb, that there were almost as many historical cases of the growth of trade being accompanied by an intensification of feudal rental burdens, as there were of the converse process, of the shift to contractual tenancy.

It seems to us that the logical-historical problem involved is fairly straight-forward. It is a truism that the capitalist mode of production is based on the greatest possible development of exchange relations, of commodity production, and historically the growth of exchange and of towns has indeed accompanied the growth of capitalist production. But, while commodity production is a necessary condition of capitalist production it is quite fallacious to regard commodity production as constituting a sufficient condition for capitalist production. This seems to be the crux of the Sweezyite fallacy: to treat as a sufficient condition something which only fulfils the requirements of a necessary condition. Commodity production has existed long before capitalist production, within the most diverse economic formations; it is likely to exist in a small way after capitalist production is overthrown within national economies (for example in the form of the private peasant plot, and small-scale artisan production, within a

socialist economy). Various 'antediluvian' forms of money-capital have existed. If we make no distinction between commodity production and capitalist production; and as a corollary, if we fail to distinguish between those ancient forms of money-capital engaged exclusively in trade and usury, and money-capital engaged in capitalist production proper—then we give up, in effect, the very attempt to apply those analytical categories to the domain of economic history, which serve to distinguish between differing socio-economic formations. We will then indeed be reduced to talking about economic 'systems' and since such 'systems' are undefined with respect to the basic production relation, the floodgates are opened for every parvenu historian aspiring to 'originality', to invent his own 'economic system'—including 'the modern world system'.

There is no doubt that Dobb adheres very closely to the views that Marx put forward on the relation between commodity production, and capitalist production. It is worth recalling that well-known passage in which Marx suggests that "Commerce ... has a more or less dissolving influence everywhere on the production organisation which it finds at hand and whose different forms are mainly carried on with a view to use-value. To what extent it brings about a dissolution of the old mode of production depends on its solidity and internal structure. And whither this process of dissolution will lead, in other words, what new mode of production will replace the old, does not depend on commerce but on the character of the old mode of production itself."⁴

This view is applied to the actual historical experience of Europe, specific instances being adduced to illustrate the proposition that commodity production *per se* can be quite compatible with the continuation of pre-capitalist relations under certain circumstances, whereas, wherever the conditions for capitalist production were developing, commodity production accelerated it.

Implicit in the two alternative concepts of feudalism in the 'Transition Debate' are two alternative ways of conceptualising a capitalist economy. Dobb clarifies what he means by Capitalism, at the outset, in his book: "Capitalism was not simply a system of production for the market — a system of commodity production as Marx termed it — but a system under which labour power had 'itself become a commodity' and was bought and sold on the market like any other object of exchange. Its historical prerequisite was the concentration of ownership of means of production in the hands of a class, consisting of only a minor section of society, and the consequent emergence of a propertyless class for whom the sale of their power was their only source of livelihood."⁵

Thus we are left in no ambiguity that, just as the feudal mode of production was conceptualised in terms of the serf-lord relation, the capitalist mode of production's essential characteristic is the

capitalist-wage labourer relation. The capitalist mode is distinguished from the feudal one, not by commodity production, but by generalised commodity production, i. e., the transformation of labour power into commodity.

By contrast, Sweezy's emphasis is on the production of exchange-values (as opposed to production of use-values under feudalism, the 'system of production for use') as the most important characteristic of a 'capitalist system'. So sophisticated an economist as Sweezy would, of course, accept and indeed assert that the capital-labour relation underlies a 'capitalist system': it is a question not of absolute, but of *relative* emphasis on market orientation versus production relation. In this respect, Sweezy's relative emphasis is definitely on the market, on the production of exchange-values; and his position definitely diverges, albeit by a shade, from the Marxist one. He claims, furthermore, that what he calls 'the prime mover' of the capitalist system, which is the drive to accumulate, giving the system its dynamism, has no analogue in a feudal system: "The feudal system contains no internal prime mover and when it undergoes genuine development ... the driving force is to be sought outside the system."⁶ The 'driving force' being trade, Sweezy thus seeks to 'explain' the transition from feudalism not in terms of the internal contradictions of the feudal mode of production, but by importing a *deus ex machinae*, namely trade, on the assumption that commodity production gives rise to capitalist production directly. What gives rise to the *deus ex machinae*—the growth of exchange—is however not explained.

Let us recall that Marx is quite categorical on the two distinguishing features of capitalist production:

Capitalist production is distinguished from the outset by two characteristic features. *First*, it produces its products as commodities. The fact that it produces commodities, does not distinguish it from other modes of production but rather the fact that being a commodity is the dominant and determining characteristic of its products. This implies first and foremost, that the labourer himself comes forward merely as a seller of commodities, and thus as a wage labourer, so that labour appears in general as wage labour.

The *second* distinctive feature of the capitalist mode of production, is the production of surplus value as the direct aim and determining motive of production. Capital produces essentially capital, and does only so to the extent it produces surplus value.⁷

We see that Marx is very careful in distinguishing the capitalist mode of production from previous ones, not in terms of commodity production, but explicitly in terms of *generalised* commodity production, i.e., the transformation of labour-power into a commodity. The

second feature of a capitalist economy stressed by Marx, i.e., accumulation, is itself inextricably connected with the production of surplus value on the basis of wage labour. (It may be thought that specifying the characteristic of *accumulation* is somewhat otiose once generalised commodity production has been specified. But its necessity becomes evident when we consider situations such as that prevalent in the colonial period in India, for instance, when 'labour power became a commodity' in some sense as sections of the peasantry were pauperised but there was no corresponding rise of capitalist enterprise to absorb them).

The failure to incorporate explicitly the distinction between 'commodity production' and 'generalised commodity production' in the concept of capitalism, which underlies the Sweezyite deviation from Marx's concept, is carried to its logically absurd conclusion by Wallerstein. In his *The Modern World System*, Wallerstein completely divorces the concept of 'capitalism' from the specific production relation of capitalism, namely, the capital-wage labour relation. According to Wallerstein, from the end of the 15th century there came into existence a world economy, which was capitalist, and which used different methods of 'control of labour'—slavery, serfdom, share-cropping, wage-labour—at the same time in different places. Thus the serfdom on the *encomienda* of 16th century Brazil, the slavery on the plantations of 17th century West Indies or the southern states of North America in the 18th century, are all 'capitalist'. Since 'capitalism' is not defined in terms of a specific production relation, how is it defined at all? Oddly enough, at no point does Wallerstein discuss explicitly what he means by 'capitalism'. We have to infer the content of his concept from the context in which it is used.

Wallerstein appears to link his usage of the term 'capitalism' to that fact that "In the late 15th and early 16th century there came into existence what we call a European world economy ... it is a world economy because the basic linkage between the parts of the system are economic ... there were world economies before. But they were always transformed into empires: China, Persia, Rome. The modern world economy might have gone in the same direction—indeed, it sporadically seemed as though it would—except that the techniques of modern capitalism and the technology of modern science, the two being somewhat linked as we know, enabled the world economy to thrive, produce and expand without the emergence of a unified political structure." This unrigorous formulation is the closest we come in Wallerstein to a statement of the link between 'world economy' and 'capitalism'—though the latter concept still remains undefined. Further on, he states: "... The world economy has one form or another. Once it is capitalist, relationships which bear certain formal resemblances to feudal relationships are necessarily redefined in terms of the governing principles of the capitalist system. This was true both

of the *encomienda* Hispanic America and the so-called 'second serfdom.'⁸

A formidable degree of erroneous, implicit and circular theorising is involved here. After the European commercial expansion of the 16th century there developed a world economy presumably embracing the European countries and their colonies, which it is taken for granted, constituted a capitalist system, without defining what is meant by a capitalist system. The mere fact that the colonies and dependencies were linked through trade to the European countries, i.e., the mere fact of commodity production is, evidently, enough to justify the characterisation, without any explanation, of the entire 'world economy' as a 'capitalist system'. Because it constitutes *by assumption* 'a capitalist system', its 'governing principles' (which remain undefined) determine the 'capitalist' character of all production relations found within this 'system' (ranging from slavery and serfdom in its 'periphery' to sharecropping allegedly found in the 'semi-periphery' and wage-labour at the 'core' of the 'system'). Wallerstein has only the following hardly illuminating 'explanation': "Why different modes of organising production—slavery, 'feudalism', wage-labour, self-employment—at the same point of time within the world economy? Because each mode of labour control is best suited for a particular type of production."⁹

The greatest conceptual innovation that Wallerstein puts forward is to redefine serfdom in Europe itself as something close to 'capitalism'. Since he implicitly accepts the Sweezyite position that production for the market leads directly to capitalist production, it logically follows that, for him, the Polish feudal estates from the 16th to 18th centuries, which were heavily oriented towards grain export, could not be 'feudal—even though production on lords' demesne was carried on with the unpaid labour-services of serfs. Wallerstein, therefore, feels impelled to invent a new category to describe this situation, the category of 'coerced cash-crop labour'. In his own words, "'Coerced cash-crop labour' is a system of agricultural labour control wherein the peasants are required by some legal process enforced by the state to labour at least part of the time on a large domain *producing some product for sale on the world market*. ... The crucial aspect from our perspective are twofold. One is to see that 'coerced cash-crop labour' is not...of a form that may be defined as a true reconstitution of the former feudal servitude. It is a *new* form of social organisation. And second, it is *not* the case that two forms of social organisation, capitalist and feudal, existed side by side, or could ever so exist. The world economy has one form or another."¹⁰ (First emphasis added by us: rest in author). So, Engels' characterisation of the 'second serfdom' in Poland is referred by Wallerstein as the 'so-called second serfdom' since for him the fact of sale of output on the market is sufficient for defining it as 'not feudal'.

and therefore by implication as 'capitalist'.

The logical basis of Wallerstein's position is that wherever there is commodity production, there is capitalist production. Needless to say, this is a very familiar fallacy amongst historians: Marx refers to Mommsen, who "has not the least idea of the modern meaning of capital, (and) speaks in his history of Rome of 'Capital' and the rule of capital."¹¹ One hundred years after Marx wrote these words they remain equally applicable to our modern historians, who aspire to 'originality', but merely succeed in repeating century-old fallacies. Mommsen talked of 'capital', although the slave-owner of ancient Rome appropriated slave-rent, not profit; Wallerstein talks of 'non-feudal' and by implication 'capitalist' character of Polish feudalism, although the Polish noble appropriated labour-rent, not profit. As we shall see below, these fallacies arise from a failure to grasp the difference between the property relations of pre-capitalist, compared to capitalist modes of production, and therefore, a failure to distinguish between the corresponding analytical categories of pre-capitalist ground rent and capitalist profit.

It is interesting to see the selective use made by Wallerstein of Marx's ideas. In a very interesting passage Marx discusses the relationship between commercial expansion and capitalist production, pointing out that while commodity production tends to remove feudal fetters on production, it gives rise to the capitalist mode of production only where the conditions for it had already internally taken shape:

There is no doubt—and it is precisely this fact which has led to wholly erroneous conceptions—that in the 16th and 17th centuries the great revolution, which took place in commerce with the geographical discoveries and speeded the development of merchants' capital constitute one of the principal elements in furthering the transition from feudalism to capitalism. The sudden expansion in the world market, the multiplication of circulating commodities, the competitive zeal of the European nations to possess themselves of the products of Asia and the treasures of America, and the colonial system—all contributed materially to destroying the feudal fetters on production. However, in its first period—the manufacturing period—the modern mode of production developed only where the conditions for it had taken shape within the Middle Ages.

*The obstacles presented by the internal solidity and organisation of pre-capitalistic, national modes of production to the corrosive influence of commerce are strikingly illustrated in the intercourse of the English with India and China.*¹²

Wallerstein, of course, reproduces approvingly only the second sentence, beginning "the sudden expansion in the world market..." ignoring both the allusion to 'erroneous conceptions' which arise from

the historical association of commodity production with the rise of capitalist production, and ignoring also the 'obstacles' which Marx identifies in the existing strength of pre-capitalist formations to the penetration of capitalism. The entire tenor of Marx's argument is explicitly against circulationism, against *identifying* commodity production with capitalist production.

The most remarkable assertion put forward by Wallerstein is that "it is *not* the case that two forms of social organisation, capitalist and feudal, existed side by side or could ever so exist". It is difficult to see, if this assertion is accepted, how any theory of transition from one social formation to another can ever be put forward. Surely it is not the case that the capitalist mode of production springs, fully-armed, from the feudal mode. The capitalist form of social organisation must develop, albeit in rudimentary forms, in branches of production in an economy which is still feudal in character, and therefore, must necessarily coexist for a time with the feudal 'form of social organisation.'

Given his extremely *simpliste* ideas about capitalism and its genesis, it is not very surprising to find that Wallerstein in lectures delivered in this country subsequent to the publication of his book, has put forward the highly 'original' theses that Western Europe did not have bourgeois revolutions at all, but that the aristocracy transformed itself into a capitalist bourgeoisie. Since, in his conception, the aristocracy such as that of France before the Revolution or that of Poland, was already capitalist or nearly so because the products of their estates were sold (the correct statement would be that they realised their feudal rents in money form), clearly for Wallerstein, bourgeois revolution becomes a redundant concept. We arrive here at the *reductio ad absurdum* of the argument following from the 'circulationist' concept of 'economic systems'. Given the erroneous idea that it is selling of the product on the market which determines whether production is 'capitalist', and products were being sold even before what historians have hitherto termed 'bourgeois revolutions', it follows that the latter is not a necessary hypothesis to explain the rise of capitalist production. Instead of abandoning his erroneous concept of 'capitalism', Wallerstein proceeds to abandon historical reality, to deny that bourgeois revolutions have ever occurred.

In point of time, A Gunder Frank's writings on *Capitalism and Underdevelopment in Latin America* came before that of Wallerstein. The remarks made above apply fully also to Frank's concept of capitalism, which is a market-oriented or circulationist definition in an explicit sense. Frank's positive contribution was to stress anew that "the metropolis (read: advanced capitalist country) expropriates economic surplus from its satellites (read: colonies and dependencies) and appropriates it for its own economic development. ... Economic development and underdevelopment are opposite faces of the same

coin". Unfortunately, the content given by Frank to this acceptable generalisation, reveals the same erroneous concept of 'capitalism' with which we have now become familiar. The relationship between the capitalist country and its colony is 'the expropriation/appropriation of economic surplus', which is quite correct as a formulation: but, Frank is unable to conceive of a situation where the appropriating economic formation may be capitalist, while the expropriated economic formation is not necessarily capitalist—which was in reality the colonial situation. For him, apparently, the very facts that it is a capitalist formation—the metropolis—which is doing the appropriating through the agency of merchant capital, and the expropriated formation is producing for export, are sufficient to characterise the latter as 'capitalist'. His essay on "The Development of Underdevelopment in Chile" has the following section-headings: (a) Sixteenth Century Capitalism in Chile: Satellite Colonisation, (b) Seventeenth Century Capitalism in Chile: Classical Capitalist Development, (c) Eighteenth Century Capitalism in Chile: Resatellisation, Polarisation, and Underdevelopment, (d) Nineteenth Century Capitalism in Chile: The Consolidation of Underdevelopment. No effort is spared to drive home the author's conviction that Chile is and has been 'capitalist' for the last four centuries. (If repetition could substitute for conceptual clarity, no doubt the effort would be successful). The thrust of the discussion in each section is to show the absence of closedness or autarky and importance of *production for export*, and it is taken for granted that this demonstrates the 'capitalist' character of production.

Commodity production is implicitly identified with capitalist production by Frank. But what of the production relations, the property relations on the basis of which Chilean production for export was taking place? According to the author himself, "Livestock ... and wheat... were from the beginning produced on large *haciendas* owned and administered by Spaniards or Creoles. The work was performed first by slaves, then by *encomiendados* and/or those subject to the *mita*, later by hired labour as well, which was forced into debt-bondage and/or various share-cropping arrangements to assure its continued supply."¹³ (It may be noted that *encomiendas* were grants of territory made to Spanish/Creole grandees which carried the right of appropriation of tribute or unpaid labour from the direct producers, some of whom were slaves, others peasants in possession of plots and subject to payment of tribute or contribution of unpaid labour, others workers compensated by payment at less than the market rate. *Mita* was 'compulsory' wage paid labour). Thus what the internal ruling classes of Chile were appropriating, in the main, was slave-rent and labour-rent, *not* profit. These categories are not used by Frank. For him, the underlying production relation and associated form of surplus appropriation are apparently quite irrelevant for the purpose of

defining capitalism: on the contrary, production for the market is both necessary, and sufficient. As long as there is commodity production, it is automatically 'capitalism', regardless of the specific production relation involved.

In another essay, "The Myth of Feudalism in Brazilian Agriculture", Frank purports to analyse the alleged confusion in the thinking of those who talk about feudal relationships in Brazilian agriculture (which is the position of Brazilian communists and others, derogatorily referred to as 'orthodox Marxists'). "A more significant source of confusion concerns the real nature of the feudal system, and more importantly, of the capitalist system. *Whatever the types of personal relations in a feudal system, the crucial thing about it for our purposes is that it is closed system or only weakly linked to the world beyond. ...* No part of Brazil, certainly no populous part, forms a closed, or even a historically isolated system. None of it can therefore *in the most essential respect* be feudal."¹⁴

We may recall Sweezy's identical formulation in the 'Transition Debate': "The crucial feature of feudalism in this sense is that it is system of production for use." This emphasis is carried to its logical conclusion by Frank: if an 'economic system' is not closed but produces for the market, then it cannot be feudal, because the 'most essential respect' in which the economic system of feudalism differs from that of capitalism, is in the question of commodity production. We can hardly ask for a clearer statement of the fundamental point of methodological divergence, between the 'circulationist' position of Frank and Wallerstein and the Marxist position. For the circulationists the question of the property relations and hence production relations, therefore, the specific forms in which surplus is appropriated is irrelevant for the conceptualisation of the difference between feudal economy and capitalist economy. In other words, the crucial concepts of Marxist theory, the advance that Marx made over all previous attempts at a systematisation of history by putting forward as the basic analytical concept differentiating economic formations, the *social relations of production* which men enter into, corresponding to property relations—this is explicitly rejected. Social relations of production are not essential or crucial for differentiating feudalism from capitalism: all that is essential and crucial is whether production is for the market, or not. The logical implications of 'circulationism' are, ultimately, no different from that of bourgeois economic theory with its emphasis on market relations to the exclusion of the sphere of production—as we argue below.

The Basis and Implications of 'Circulationism'

The problem with the formulations of the authors considered so far, is that they are innocent of any distinctions between the property relations of pre-capitalist formations, and the property

relations of capitalism. Therefore, they are innocent also of the distinction between *pre-capitalist rent*, and *capitalist profit*, as analytical categories. The two categories are happily confused; rent is consistently referred to as 'profit'

The unifying principle of all class societies is that surplus labour is performed over and above necessary labour. The differentiating principle lies in the specific conditions under which necessary labour is performed (direct producer as owned instrument, attached to land, or free) and the specific form in which surplus labour is pumped out of the direct producers (slave-rent, feudal rent, profit) and this determines the character of the dominant production mode. Further: in all pre-capitalist economic class formations the basis for the extraction of surplus labour is the monopoly over landed property in the hands of a minority (reinforced by property in very person of the direct producer under slavery) so that *rent* is the main form of surplus: while only in the capitalist mode of production does landed property cease to be important, and monopoly of the means of production used as capital, form the basis for extraction of surplus labour, the predominant form of which is *profit*.

Marx points out repeatedly that *rent* is the predominant form of surplus value characterising feudal economy while *profit* is the predominant form of surplus value characterising capitalist economy. Pre-capitalist rent is the expression of the serf-lord relation, as profit is of the capitalist-wage labour relation:

If we consider ground-rent in its simplest form, that of *labour-rent* where the direct producer, using instruments of labour (plough, cattle etc.) which actually or legally belong to him, cultivates soil, actually owned by him during part of the week, and works during the remaining days upon the estate of the feudal lord without any compensation from the feudal lord, the situation is still quite clear, for *in this case rent and surplus value are identical*. *Rent, not profit* is the form through which unpaid surplus labour expresses itself....The transformation of labour rent, into *rent in kind* changes nothing from the economic standpoint in the nature of ground rent. The latter consists in the forms considered here, in that *rent is the sole prevailing and normal form of surplus value, or surplus labour*. ...By *money-rent*—as distinct from industrial and commercial ground-rent based upon the capitalist mode of production, which is but an excess over average profit—we here mean the ground rent which arises from a *mere change in form of rent in kind*, just as the latter in turn is but a modification of labour rent....The basis of this type of rent, although approaching its dissolution, remains the same as that of rent in kind, which constitutes its departure. The direct producer as before is still possessor of the land...and must perform for his lord, as owner of his most essential condition

of production, *excess corvee labour, that is unpaid labour for which no equivalent is returned, in the form of a surplus product transformed into money.*¹⁵

No student of history, with the most rudimentary grasp over the nature of feudal ground rent, so clearly explicated by Marx in the passage quoted above, can accept Wallerstein's characterisation of market-oriented production on the Polish feudal estates from the 16th to 18th centuries as 'not feudal', as a 'new form of social organisation', as therefore in some sense 'capitalist'. The Polish lords, by virtue of their feudal monopoly of property in land, could extract unpaid labour services from the serfs for production on their demesne land. Thus, they were appropriating feudal rent in its most primitive form, as labour rent. By selling the output of this unpaid serf labour, they were simply realising their feudal rent in money form. It is completely erroneous to apply the analytical category of 'profit' to their income; the basis for the extraction of surplus here remains feudal landed property, and no amount of sale of output on the market would alter this fact.

Under the capitalist mode of production also, rent does of course exist as a category of income: but it no longer constitutes the predominant form of surplus value, and the entire basis of its production is transformed. The predominant form of surplus value under capitalism is profit, appropriated by the minority who monopolise the means of production as capital, from the exploitation of wage-paid labour. Landed property is not necessary for capitalist production: on the contrary, it is a barrier, in that wherever land remains in private ownership, a *surplus profit* over and above average profit must be produced for payment as rent to the landlord. Capitalist ground rent is simply 'an excess over average profit'. These analytical distinctions appear to be unknown to both Wallerstein and Frank. As a result, capitalist profit, feudal ground rent, as well as slave rent, are all treated in an undifferentiated manner, as all constituting profit so long as production is for the market. The mixing up of these distinctions is quite illegitimate: 'rent' and 'profit' are not categories which are arbitrarily interchangeable at the whim of the individual economic historian. They are objectively distinct categories of income representing distinct production relations. (This criticism is equally applicable to the use of 'rent' and 'profit' as interchangeable categories by Witold Kula in his *Economic Theory of the Feudal System*).¹⁶

If we consider production on the basis of slave-labour: here, the slave owner's income is the surplus of net output value over and above the subsistence requirements of the slaves, and constitutes slave rent. The income obtained by the plantation owners of the 18th century in the West Indies or in the southern states of North America

through exploitation of slave labour, was slave rent. It is immaterial whether they themselves regarded this income as 'profit' or called it 'profit': the analytical category of profit is not applicable, because it is not surplus value produced by wage-paid labour. The fact that a certain sum of money is expended in purchasing slaves and other means of production does not make production 'capitalist' because this sum of money is not functioning as capital. The patriarch of ancient Rome who spent a sum of money in purchasing slaves, cattle and ploughs, did not thereby become a 'capitalist', any more than did the *zamindar* in colonial India two millennia later, who spent a sum of money in purchasing a *zamindari*. The former recouped his outlay through appropriating slave rent, the latter through appropriating pre-capitalist ground rent. Similarly, a peasant today who purchases a small land parcel to cultivate with his family labour, does not thereby become a 'capitalist'. No sum of money, however large, expended in purchasing assets or means of production and subsistence, constitutes 'capital' in itself. Money becomes 'capital' in production, only when it is set to appropriating the surplus labour of propertyless wage worker, in the form of 'profit'. Capital in circulation is a different matter again.

Those who speak loosely of the 'profitability' of slave-based production, or the 'profitability' of *zamindari* purchase, or the 'profitability' of market-oriented serf-based production, are in fact applying the categories of a capitalist economy in an analytically illegitimate manner to relations which are not capitalist. (At best, such formulations spring from a lack of rigour, not ignorance, about their inapplicability; at worst, they represent a totally erroneous concept of 'capital'). The ideological source of the widespread misuse and misapplication of the category specific to a capitalist economy, to other economic formations, springs, we suspect, from the domination of the fetishised, apparent phenomena of the capitalist mode of production itself in the thinking of the authors concerned. Because the market is ever-present, the market is treated as the most important phenomenon. All forms of surplus are thought of by the circulationists as profit, because profit is the most familiar and obvious category in capitalist economy; and this category is then treated by them as eternal, being transferred to other countries and other historical situations with no regard for the specificity of the property relations concerned.

Indeed, we appear to be witnessing in some sense, a reversal of the situation which prevailed in the adolescence of capitalism. Then, political economy, which was familiar with economic surplus primarily in the form of ground rent, could not conceive of forms of economic surplus which were unrelated to agricultural production or not associated with landed property: the Physiocrats regarded agriculture as the only source of economic surplus. Today, in the monopoly phase

of capitalism, we find that a number of economists and historians are apparently unable to conceive of any form of economic surplus other than capitalist profit; all forms of surplus are looked at in terms of capitalist profit, regardless of the basis of production.

Perhaps, however, it is far too complimentary to the authors of 'Circulationism' to contrast their error with that of the Physiocrats. The latter were pioneers in analysing the sphere of production. The former, the authors currently under discussion, represent a turning-away from analysis of the sphere of production, into exclusive pre-occupation with the question of exchange relations. These authors do not, as we have seen, conceptualise even the capitalist system itself in terms of its basic production relation, namely, the capital-wage labour relation. As a result, their concept of 'profit' itself is quite different from the Marxist one; it contains none of the rigorous determinations arrived at in the analysis of *Capital*: it is conceived of vaguely as some kind of surplus of output over costs of production, and is unrelated to the wage-paid form of labour.

The consequences of the 'circulationist' position for the analysis of the advanced capitalist country versus colony/dependency relation, are two-fold. Firstly, despite the generalised statements about the capitalist metropolis appropriating surplus from the 'satellite', we search in vain for any rigorous treatment of the subject. Statistical estimates of surplus transfer are of course out of the question. The absence of any concrete discussion is not surprising, since the circulationist 'surplus' is a vague, undefined category without any specific determinations with respect to its forms. Supposing we were to look at the process of surplus appropriation from India by Britain, for example. To be realistic we would have to distinguish a phase of primary accumulation through trade upto 1765, which meant extra-economic coercion on the petty producers by the East India Co. to sell output at or below cost; the continuation of this, combined with, from 1765, direct appropriation of tribute in the form of land revenue in those areas where the company obtained territorial overlordship, which soon became the major form of surplus taken. Neither of these methods of surplus appropriation in the least gave rise to capitalist production relations within India. We would have to look at the advantages to Britain of India specialising in the export of primary products and as a market for manufactures, which enabled the expansion of British industry beyond the limits of her home market, and we would have to distinguish the phase of export of capital to the colony and the development of a modern factory sector, based on wage labour, when for the first time surplus extraction in the form of profits began. By contrast, the circulationist analysis cannot go beyond the most general statements about 'seventeenth century capitalist underdevelopment in India' followed by 'eighteenth century capitalist underdevelopment' and finally by 'nineteenth century

capitalist underdevelopment', all of which is supposed to have 'transformed' the internal social structure. Such attempts as are made to quantify surplus transfer, flounder on the rock of conceptual error, as we shall see below.

Secondly, it follows that 'circulationist' position cannot provide anything except a totally erroneous analysis of the internal class structures of the colonies/dependencies. Since there is no appreciation of landed property or of ground-rent, the monopoly of land in large estates whether in *latifundia* of Hispanic America or in the *zamindaris* of colonial India, is wrongly regarded as 'capitalist'. It follows that, in this scheme of things, there is no objective basis for the demand for land-reforms.

Let us try to summarise the basic reasons for those widespread theoretical fallacies, which we have termed 'Circulationism', following Takahashi, and of which the writings of the authors under discussion form but a part. We see it, essentially, as the predictable extension into the domain of analysis of economic history, of the same tendencies which have long dominated economic theory: the emphasis on the sphere of circulation to the exclusion of the sphere of production, and the treatment of the categories of capitalism as eternal categories. Both of these are the outstanding characteristics of bourgeois theorising, and they accompany the apologetic interpretation of capitalism. If this is considered too extreme a judgement, the writings of Samir Amin, which we next consider, will serve to illustrate that 'circulationism' does indeed lead objectively to apologetics.

Concept of 'Peripheral Capitalism' & 'Unequal Exchange'

Ever since 1917, a certain part of academic theorising concerning 'economic systems' which is anti-Marxist and more specifically anti-communist in content, denies the reality of the opposition between the newly emergent socialist camp and the camp of the developed capitalist countries. This is seen in the technology-based theories of 'convergence' between socialist and capitalist economies. It is also seen in all formulations which emphasise categories cutting across differing modes of production, and use such categories as the crucial elements of analysis. Such is Amin's idea of 'centre' versus 'periphery', which restates the Frankian distinction between 'metropolis' and 'satellite' while giving an explicit twist to it: the 'centre' includes not only the developed capitalist countries, but also those socialist countries considered by him to be developed. The 'periphery' includes all other countries—not only those underdeveloped nations attempting to follow the capitalist path, but also those such as China which have accomplished the socialist revolution. The very formulation of the categories of analysis already incorporates a certain viewpoint, that the relations between the capitalist countries and

the 'Third World' are no different in any crucial respect from the relations between the socialist countries and the 'Third World'. Amin states:

"The main scope of my analysis embraces relations between the Centre (N. America, W. Europe, Japan, Australia, New Zealand and S. Africa on the one hand, Russia and Eastern Europe on the other) and the periphery ('The three continents')". Elsewhere Amin says:

"Our world is made up of 'developed countries' and 'under-developed' ones, it is also made up of *countries that style themselves as 'socialist'* and of others that are 'capitalist' and all these countries are integrated, though in varying degrees, in a worldwide network of commercial, financial and other relations such that none of them can be thought of in isolation..." (emphasis added). Again,

"There are not two world markets, one capitalist and the other socialist, but only one, the capitalist world market in which E. Europe marginally participates". Finally, "Relations between the formations of the developed or advanced world (the centre) and those of the underdeveloped world (the periphery) are affected by transfers of value, and these constitute the essence of the problem of accumulation on a world scale."¹⁷ Thus, the countries that 'style themselves as socialist', merely by virtue of participating in the 'capitalist world market', accumulate via the 'transfer of value' from the 'periphery', no less than do the capitalist countries: this is the conclusion.

In Amin's writings, we can see the 'circulationist' position carried one step further. So far, the circulationist or market-based theory said that all underdeveloped countries have today and have had for four centuries, internal structures which are 'capitalist', regardless of the basis on which production is carried on (slave, serf, petty tenancy or whatever) merely by virtue of the fact that they produce for the 'capitalist world market'. This logic is now extended to the socialist countries, which, by virtue of being involved in trade, in the 'world capitalist market', are in some sense contaminated, are not socialist economies but only 'style themselves' as such. Just as 'feudalism' was defined as a 'closed' system and 'capitalism' viewed by contrast as a system based on exchange, by the same logic, the crucial differentiating feature of a socialist system is its closedness and non-participation in international exchange. The epistemological basis of this is, undoubtedly, idealism. The 'circulationists' appear to think in terms of the 'ideal' capitalist system whose essence lies in exchange, which is made its conceptual monopoly: the 'ideal' feudal system is a closed one, while the ideal socialist system is symmetrically, also a closed, autarkic system. Both the feudal and socialist systems, the moment they engage in exchange, cease to be feudal and socialist, respectively. Nothing can illustrate more clearly the total

fetishisation of the market, and the total ignoring of the real relations of production.

Amin's analysis of the internal structures of colonised countries appears at first to be a trifle more sophisticated than that of Frank, who, as we have seen, treats the history of the internal development of the Latin American colonies during the last four centuries, as one of undifferentiated 'capitalism', from beginning to end. Amin suggests that in the 'periphery', capitalism 'dominates' the pre-capitalist formations it finds there, without becoming 'exclusive' as in the 'centre':

"At the centre, the capitalist mode of production is not merely dominant but because its growth is based on the expansion of the internal market, it tends to become exclusive. ... The socio-economic formations of the periphery however bear this distinctive feature that although the capitalist mode of production does indeed predominate, this domination does not lead to a tendency for it to become exclusive, because the spread of capitalism is here based on the external market. It follows that precapitalist modes of production are not destroyed but are transformed and subjected to that mode of production which predominates on a world scale as well as locally—the capitalist mode of production."¹⁸

The apparently more sophisticated formulation is full of internal contradictions. If, in the 'socio-economic formations of the periphery', the spread of capitalism is based on the external market, then the 'dominance' of capitalism in the internal structure of the economy, by no means follows. There can arise an enclave capitalist sector oriented to exports (plantations, mines etc.), while leaving unaffected a large or even predominant area of the economy which continues to be carried on, on the basis of petty production. Conversely, if capitalism is 'predominant', in what sense can it become so, if pre-capitalist production is 'not destroyed' but *only* 'transformed', both 'destruction' and 'transformation' remaining undefined?

In discussing the relationship between the 'centre' and 'periphery', Amin attempts to formulate it in terms of the theory of 'unequal exchange', first put forward by Arghiri Emmanuel. He gives unqualified acceptance to Emmanuel's analysis, calling it 'a fundamental contribution'. This is unfortunate, since there are major conceptual and logical difficulties with Emmanuel's development of the theory of 'unequal exchange' which Amin far from recognising, further compounds (particularly in his confused exposition of his own numerical examples, which we discuss below).

There is no doubt at all that some form of 'unequal exchange' did take place historically, between the colonised countries and the developed capitalist countries and does take place in an altered manner today. The basis for unequal exchange is *monopoly*, manifesting itself in various ways: the monopoly of trade exercised over the colony, the

monopoly of certain branches of production itself, the monopoly of sovereignty in land. Emmanuel's formulation however, represents a basic misconception of the problem: he seeks to demonstrate 'unequal exchange', which can only arise from monopoly, using a model of the *competitive* capitalist mode of production which is simply blown up to a world scale.

It will be recalled that the method of abstraction Marx used in *Capital* to analyse the capitalist mode of production, was to start with labour values as the basis on which commodities, including labour power, exchange, and to demonstrate that given competition amongst capitals, prices must systematically deviate from values in order to distribute the total surplus value amongst different branches of production with differing 'organic compositions' of capital, so as to equalise the rate of profit. While labour values form the basis for exchange, it will therefore not be the case that commodities will exchange exactly according to labour values, and this follows from the laws of competitive capitalism itself. The purpose of constructing the argument of *Capital* in this manner was, amongst other things, to lay bare the origin of surplus value and show how the extraction of unpaid surplus under capitalism could be accomplished, even on the basis of such 'equivalent exchange' of commodities, including labour-power, under the law of competitive exchange.

This theoretical structure, which Marx developed specifically for analysing a competitive capitalist economy (with 19th century Britain as the historical example), Emmanuel generalises to the entire world, each constituent of it—country or region—being regarded as producing in a particular branch of production and exchanging its products through trade. He gives a definition of 'unequal exchange' which is not to be found anywhere in Marx. If commodities are internationally traded at their labour values, then exchange is regarded by Emmanuel as 'strictly equal', while if prices differ from labour values owing to varying organic compositions of capital, exchange is considered to be not 'strictly equal', but not 'unequal' either.

Thus if all the assumptions of a competitive capitalist economy hold on a world scale (capitalist production everywhere, free mobility of labour and of capital arising from competition) then rates of surplus value (not to be confused with the observed profit-wage ratio) would be equal and commodities would exchange internationally at their prices of production (which would deviate from values according to varying organic compositions of capital). We would have a blown-up version of the national competitive capitalist economy and, according to Emmanuel, 'non-strictly-equal exchange' not amounting to 'unequal exchange'. If however, real wages differ between countries while organic compositions are the same, then too prices of production would deviate from values. This, according to Emmanuel, constitutes 'unequal exchange'.

The incorrectness of the argument arises at so many different levels—of epistemology, of conceptual validity, and of logical consistency—that the critic is faced with an *embarras des richesses*. To begin with, two points may be noted. Firstly, the normative label of 'equal exchange' (carrying implications of equity and justice) is attached by Emmanuel and his followers to exchange at labour values. This is directly antithetical to Marx's treatment of exchange under the laws of competitive capitalism as 'equivalent exchange' with the necessary implication that commodities do not exchange at labour values; while there is, of course, no normative content to Marx's use of the term 'exchange of equivalents'. Secondly, having attached the label of 'equal exchange', quite arbitrarily, to exchange at labour values, Emmanuel is not consistent: there is an asymmetry in his treatment of the deviation of prices from labour values, depending on the cause of the deviation. Varying organic compositions is treated differently from varying real wages, but there is no discernible rationale behind the asymmetry.

With regard to the applicability of the Emmanuel model, we may note that first, and most fundamental, while there is no doubt at all that transfers of surplus took place from colonies/dependencies to capitalist countries, the most important forms in which transfers took place, are forms arising directly from the fact that *pre-capitalist* formations were being forced to enter into relations with capitalist formations where the latter enjoyed *monopoly* power. To assume, as Emmanuel does in the formulation of the theory, that both colonial and metropolitan production could be captured by a model of competitive capitalist production blown up to a world scale, is thus to *assume away* the most important features of the colonial relationship itself. By its very formulation, the model is unable to capture, because it abstracts from, those historical forms of surplus appropriation known as 'primitive accumulation'. No amount of rationalisations put forward by Amin ("since there is a world commodity market, there is a problem concerning values on an international scale. And since this problem exists, we must use value transformation models") alters the fact that where one of two branches of production is not capitalist, to apply a category like price of production to it amounts to undiluted nonsense. 'The price of production' relates explicitly not just to capitalist production but to competitive production with free mobility of capitals. It cannot be defined at all without the formation of an average rate of profit on capital advanced. In colonies, where over most of the economy there was no production on the basis of wage labour, therefore no variable capital advanced and no surplus value 'equalised' through competition to an 'average' rate of profit, there was no basis for determining the 'price of production'.

The artisans in colonial India who were first obliged to sell

below cost and then displaced through imports, the peasants who were forced by extra-economic coercion to grow and sell cash crops at prices at or below cost to monopoly agents: neither category can logically find a place within Emmanuel's model. (This does not prevent the adherents of the theory from talking in the same breath of the validity of Emmanuellian unequal exchange and the existence of primary accumulation: apparently quite unaware of the contradiction involved in doing so). Secondly, even if we take Emmanuel's model at face value, there seems to be no rational basis for regarding given variations in real wage rates as constituting the source of 'unequal exchange'; and indeed, if this assumption is made along with the assumed mobility of capital, the model of exchange itself breaks down, as we shall see below. The model is in fact not an internally consistent one.

To give the most favourable interpretation to the model, supposing we take it to be applicable to the relations between the genuinely capitalist *enclave* within colonial economies, and the production of advanced capitalist countries. The argument that Amin, reproducing Emmanuel, gives is as follows:

"One can observe, then, two forms of international exchange in which the products are not exchanged at their value. In the first case wages (and rates of surplus value) are equal, but because the organic compositions are different the prices of production... are such that one hour of total labour, direct and indirect, of the more advanced country (characterised by higher organic composition) obtains more products on the international market than the hour of total labour of the less developed one. The following example illustrates the case:" (Table I)

This case, as we have seen, Emmanuel does not regard as 'unequal' exchange. Amin however does regard this case as representing 'unequal exchange': "And yet exchange is unequal all the same, and this inequality reflects the inequality of productivity. ... With 30 hours of total labour equipped as it is in B, we get for instance 90 physical units of the product, whereas with the same number of hours of total labour equipped as it is in A, we get a smaller amount, say 60 units. *If A and B are integrated into the same world market, the product can have only one price, the price set by the more advanced country.*"¹⁹

Amin's extension to Emmanuel is hardly a happy one, for it contains rather elementary errors. If the physical output for the given product varies as specified by Amin, then the respective prices of production *per unit of output* in the two countries will be as shown in Table II (col. 5) retaining the method of partial transformation.

As long as the world demand for the commodity concerned exceeds the supply from country B, world price must be bid up to the price of production of the higher-cost producer, A: otherwise A cannot produce at all. Therefore, the prevailing price for the product

TABLE I
(CASE A)

	1	2	3	4	5	6	7	8	9
Country	Constant capital C	Variable capital V	Surplus value S	Value M	Profit p	Price of production P	Equalised rate of profit, %	Price of production P'	Profit p'
1 A	10	10	10	30	8	28	39.53	27.91	7.91
2 B	16	7	7	30	9	32	39.53	32.09	9.09
3 Both	26	17	17	60	17	60	39.53	60.00	17.00

Note: Columns 1-6 and rows 1 and 2 from Amin, p 140; columns 7 to 9 and row 3 added by us. Columns 8 and 9 give the unrounded price of production and profit.

TABLE II

	1	2	3	4	5	6	7	8
Country	Value M	Profit p	Price of production p	Physical output (units) p	Price of production per unit of output As price of production: profit	At world price covering As price of production: profit	Surplus profit	Total profit
1 A	30	7.91	27.91	60	0.465	7.91	0.00	7.91
2 B	30	9.09	32.09	90	0.356	9.09	9.76	18.85
3 Both	60	17.00	60.00	150	0.400	17.00	9.76	27.76

Note: It is assumed that the high-cost producer A earns a rate of profit of 39.53 per cent which on Amin's assumption should be the average rate of profit for the international economy as a whole. The questionableness of this assumption is discussed in the text.

will not be, as Amin asserts, 'set by the more advanced country'. On the contrary, it will be set by the unit price of production of the less advanced, higher-cost producer A. At this price, A will just cover its cost plus average profit, while B will reap a surplus-profit by virtue of having an individual price of production lower than the one determining price. (Even if we do not assume this Ricardian case, and allow for A's accepting a lower-than-average rate of profit, the price is not set by the advanced country, but by the average price of production, in this case 0.400). Amin's basic conceptual error here is to think that 'equalisation of profit' to an average rate is applicable to producers of the same given commodity. In Marx's system, the equalisation of the profit rate always refers to the average over all branches of production, and for producers in a given branch the 'average profit rate' is therefore a datum. For any given product only the sale price will be the same for different producers; their actual rates of profit will vary according to their differing individual prices of production.²⁰

On Amin's conception, it would appear that *every* situation in a competitive capitalist economy blown up on a world scale, where prices of production deviate from values, constitutes 'unequal exchange'. This would imply that within a national capitalist economy too, exchange between sectors, whose technical levels differ, or whose rates of surplus value differ—such as agriculture, and industry—should logically be considered 'unequal exchange'. The concept of 'unequal exchange' thus loses all cutting force, all discriminatory value, in distinguishing the advanced capitalism-colony relation, from the 'normal' workings of a competitive capitalist economy. It is not at all clear why the theorists of 'unequal exchange' are so concerned about a phenomenon which, on their own definition, is equally characteristic of the internal relationships of the advanced capitalist countries, as of the capitalist country-colony relation.

(Case B). The next example Amin goes on to give, of 'unequal exchange' in the specifically Emmanuellian sense of international differences in real wages leading on *ceteris paribus* assumptions, to deviations of prices from labour values, is equally unfortunate in its similar elementary errors. The commodity considered is oil:

"Let us assume that production techniques are at the same level of development (same organic composition) and... that wages are the same (same rate of surplus value). Exchange is strictly equal. If now, for one reason or another, while production techniques remain unchanged, *wages in A are only one fifth of what they are in B*, we shall have the following situation": (Table III)

Amin continues: "A and B produce the same product (e.g., oil) with the same techniques and sell the product on the world market. In A however real wages are lower than in B. The product must have a uniform price, that which prevails on the world market. ...

TABLE III

	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Country	Capital installed	Constant capital	Variable capital	Surplus value	Value	Profit	Price of prodn	Equalised profit rate	Profit	Price of prodn at prevailing price of B	Profit	Surplus profit	Total profit	Rate of profit
	C	c	v	S	V	p	P	%	p'	P				
1 A	70	10	2	18	30	14	26	16.279	13.35	25.35	13.35	9.30	22.65	27.62
2 B	70	10	10	10	30	14	34	16.279	14.65	34.65	14.65	0.00	14.65	16.28
3 Both	140	20	12	28	60	28	60	16.279	28.00	60.00	28.00	9.30	37.30	21.68

NOTE: Columns 1 to 7 from Amin, unnumbered table p 142. Remaining columns calculated by us. 9 and 10 give the correct version of 6 and 7. Columns 11 to 14 are calculated taking the price of production of B as the prevailing price on the assumption that B the high-cost producer earns the average rate of profit of 16.279 per cent prevailing in the international economy.

The greater rate of surplus value in A raises the average rate of profit of A and B taken together from 14 to 20 percent. ... In the example given above, for exchange to be equal with wages in A only one-fifth of wages in B, the rate of profit in A would have to be 26 percent as against 14 percent in B."

Amin goes on to apply this argument to estimate 'transfer of value' from A to B:

"Out of an overall total of exports from the underdeveloped countries of the order of 35 billion dollars in 1966, the ultra modern capitalist sector (oil mining) provided ... dollar 26 billion. If these products were produced by the advanced countries...their value would be at least dollar 34 billion. The transfer of value from the periphery to the centre under this heading alone would amount, at a modest estimate, to dollar 8 billion."²¹

Almost every sentence in the above two passages is either factually, or logically, incorrect. Let us dispose *first* of the least important level: the figures Amin gives in the example and in the text, are not internally consistent. The average rate of profit over the two producers works out, not to 20 per cent as he states at one point (quoted above) and not to 'about 15 per cent' either, as he states later (p. 143) but to 16.28 per cent. This anomaly arises because Amin is usually in the habit of calculating the profit rate on capital installed alone, whereas the profit rate should be calculated on *total* capital advanced (fixed constant capital installed plus circulating capital both constant and variable, or $C+c+v$ in the Table). However he appears to switch to the correct concept in calculating the prices of production, for his figures (26 and 34 in A and B) are quite close to the correct figures (25.4 and 34.7). We have given the correct figures alongside Amin's. The absence of a consistent way of calculating the profit rate thus leads to considerable confusion with regard to the numerical values Amin obtains.

Secondly The argument given by Amin regarding the formation of international price, is incorrect as it was in his earlier example. As long as world demand for oil is greater than the supply from the lower-cost producer A, world price must be bid up to the price of production of the higher-cost producer which is now, B. Otherwise B will cease to produce—or at least trade in—oil. At the world price of 34.65, B will just cover production costs and obtain an average profit, while the 'backward' country with lower wages, A, will make a surplus-profit at this price by virtue of having an individual price of production lower than that determining world price. The overall profit rate in the price system is then raised to 21.7 per cent, consisting of a higher rate of profit in the backward country A at 27.6 per cent, compared to the advanced country at 16.3 per cent. (Col. 14 of Table III). Once again, the same basic conceptual error perpetrated, of failing to see that for the producers of a given product,

it is the price which is equalised but not the profit rate.

A further important point to be noted is that even in terms of his own criteria for defining 'unequal exchange', Amin is not consistent. The criterion used by him in case B is that 'unequal exchange' exists in favour of the developed countries because real wages differ and the higher rate of surplus value of the backward country raises the average rate of profit. On this criterion, in his case A, 'unequal exchange' should exist *in favour of the underdeveloped countries*, for the rate of surplus value in the advanced countries is higher, as he himself points out (though it is not in the table), and it is the advanced countries which raise the average profit rate. Amin draws the opposite conclusion in case A however by implicitly switching to a different criterion altogether (the command over use-values). The reader may well be forgiven for losing his way in this morass of logical inconsistency and conceptual error.

Thirdly, it follows that it is completely erroneous to suggest that a given value of exports produced by underdeveloped countries would have a *different* value if produced by advanced countries, the difference constituting 'transfer of value'. For the given value of exports from underdeveloped countries is obtained—given the logic of the model—by valuing at a world price, which necessarily gives a higher profit to the underdeveloped countries than the same world price gives to developed countries in this particular case. The 26 billion dollars of exports from backward countries would remain 26 billion dollars in value if produced by the advanced countries; but whereas the underdeveloped countries obtain a surplus-profit owing to low domestic wages, the same value of output would give only average profit to the advanced countries. (The only way that the transfers existing in reality can be theoretically analysed is to abandon the competitive model and explicitly introduce monopoly: but this is ruled out by the formulation itself).

Such erroneous generalisations as are made by Amin are only possible if the attempt at logical thinking is abandoned entirely in favour of certain preconceived and arbitrary conclusions. The entire passage on 'unequal exchange' in Amin is formulated in an extremely illogical manner, and this is the only passage in which some attempt at precise formulation is undertaken in the book *Accumulation on a World Scale*. First printed in *Unequal Development*, the same piece on unequal exchange is reproduced word by word with the same errors in the tables and the same incorrect argument, in *Accumulation on a World Scale*.

It would appear that straight-forward common-sense, quite apart from all considerations of economic logic, should have indicated to Amin (and to Frank, who reproduces his argument) that there was something very wrong in the conclusion regarding transfer of value from oil-producing underdeveloped countries. Assume that

oil-production is carried on as specified in the Emmanuel model on a competitive basis without the cartelisation which exists in reality. The Saudi Arabians produce oil at a much lower cost than do Texans, because they pay their labour only one-fifth of what the Americans do. Nevertheless as long as world demand for oil cannot be satisfied by Saudi production alone, the international price must rise to the 'price of production' of Texan oil, which is higher than the 'price of production' of Saudi oil. At this price, Saudi Arabian capitalists enjoy a surplus profit—which in effect comes out of their depressed domestic wages—compared to the mere average profit obtained by Americans. There is no logical basis for postulating a 'transfer of value' from Saudi Arabia to the U S A under the stated conditions.

This brings us to the last, and from the viewpoint of logical consistency, the most important criticism of the Emmanuel model. The continuation of surplus profits and of trade is not compatible with the assumption of free capital mobility which is made at the same time. Capital will flow into those regions where surplus profits exist. Texan capitalists will cease to produce oil in Texas, and shift their capital to Saudi Arabia, which country will specialise in oil production till the Saudi rate of profit drops to the Texan one, or until the Saudi reserves are exhausted, whichever comes first. 'Unequal exchange' of the Emmanuel variety leads to a breakdown of exchange itself. The internal logical inconsistency of the model thus arises from two incompatible assumptions: firstly that real wages, hence rates of surplus value, differ, implying higher profits in the country with lower wages; secondly, free capital mobility, which implies that the high-wage country ceases to trade in the product concerned.

Let us try to sum up our criticisms of the Emmanuel-Amin theory of 'unequal exchange'. Firstly, it represents an abstraction from the most important features of the capitalist metropolis-colony/dependency relationship, namely, that certain specific forms of surplus appropriation were possible (pre-capitalist rent, surplus-on-alienation from petty producers) precisely because of the pre-capitalist character of production relations in the colony/dependency, and the exercise of monopoly. Secondly, even on the restrictive assumption that we are considering the capitalist enclaves in colonies and their relationship to the capitalist economies, the use of value-price model of Marx's *Capital*, is utterly misconceived. Marx himself never gave the label 'unequal exchange', either to the deviation of prices of production from values under competitive capitalism, or to the deviation of individual prices of production from the 'average' price of production: on the contrary, this was 'equivalent exchange', following the laws of competitive capitalism, *par excellence*. The use of 'unequal exchange' to denote the normal process of formation of prices of production and market prices under competitive

capitalism, represents a total misunderstanding alike of the purpose of Marx's method of abstraction, and of the real content of historically existent unequal exchange between nations. The latter has been always a product of monopoly, not competition. The logical contradictions into which the Emmanuellian model of 'unequal exchange' leads itself, amply demonstrates its inapplicability, and points to the necessity of developing a valid theory of unequal exchange.

1. *The Transition from Feudalism to Capitalism* (contributions by M Dobb, P Sweezy, H K Takahashi, C Hill, R Hilton, G Lefebvre in *Science and Society*, 1950-1953). Reprinted by New Left Books, London, 1976, and Popular Prakashan, Patna, 1956. Page references are to NLB, 1976.
2. P Sweezy, *ibid*, p 35. Emphasis added.
3. H K Takahashi, *ibid*, p 70.
4. Karl Marx, *Capital*, (Ed) F Engels, Vol. III, p 326 ("Historical Facts about Merchants' Capital").
5. M Dobb, *Studies in the Development of Capitalism*, Routledge Kegan Paul, London, 1946, p 7.
6. Sweezy, *Transition from Feudalism to Capitalism*, *op cit*, p 42.
7. K Marx, *op cit*, pp 857-858, ("Distribution Relations and Production Relations"). Emphasis added.
8. I Wallerstein, *The Modern World System: Capitalist Agriculture and Origins of the European World Economy in the Sixteenth Century*, Academic Press, 1974, Ch. 1.
9. *Ibid*.
10. *Ibid*, p 91.
11. K Marx, *op cit*, footnote 46, p 322.
12. *Ibid*, pp 327-328. Emphasis added.
13. A Gunder Frank, *Capitalism and Underdevelopment in Latin America*, Penguin, 1971, p 47 ("The Development of Underdevelopment in Chile").
14. *Ibid*, p 268 ("The Myth of Feudalism in Brazilian Agriculture"). Emphasis added.
15. K Marx, *op cit*, pp 770-782 ("Genesis of Capitalist Ground Rent"). Emphasis added.
16. For a critique along these lines of Witold Kula, *Economic Theory of the Feudal System* (New Left Books, 1976), the reader may refer to my article "Of Cabbages and Kings: Economic Theories and Feudal Systems", *Economic and Political Weekly*, Review of Political Economy, July 1982.
17. Samir Amin, *Accumulation on a World Scale*, 2 Vols, Monthly Review Press, 1974, pp 1-4.
18. *Ibid*, p 37.
19. Amin, *Unequal Development*, Oxford University Press, Delhi, 1979, pp 140-141. Emphasis added.
20. See K Marx, *Theories of Surplus Value*, Part II, Progress Publishers, Moscow, 1968, p 206, *passim*.
21. Amin, *ibid*, p 143.

JUDY WHITEHEAD*

*The Mirror of Inequality: A Reinterpretation of
Homo Hierarchicus*

CASTE relations and their corresponding status categories have imparted a specific colour to India's political economy for centuries. Yet the relationship between caste and production relations within the changing framework of agrarian class relation has been an especially vexed question. In part, various debates on the role and relative significance of caste can be traced to the different epistemological givens of various writers. The fact that the origins of the caste system are obscure, as well as the great regional diversity in land tenure, forms of production and caste structure have both contributed to the difficulty in formulating a general theory of this inter-relationship. This has resulted in imposing the caste idea on class relations externally, and reducing the one to the other. On the other hand, class relations have equally idealistically been sought to be imposed on caste phenomena. Both these trends result in the failure to distinguish between class and caste, production and exchange relations. These may not have an one-to-one correspondence in pre-capitalist societies.

This is not to deny that beliefs of purity and pollution, hierarchy, and *varnadharma* functioned to legitimise the unconcealed nature of surplus appropriation in a feudal, agrarian economy. It is also true that such beliefs invested class hegemony with a religious legitimation in a social formation in which religion was accorded the status of being the highest form of truth. Codified and elaborated over centuries by a Brahminical elite which possessed a monopoly on the production of religious literature, such beliefs had the effect of producing boundaries around the social construction of reality which converged with the interests of the state bureaucracy and landholders alike. These boundaries tended to confine challenges to class and caste hierarchy within religious parameters, which could then be incorporated within caste discourse since the latter also possessed a religious form.¹

However, such an approach leaves certain unresolved empirical

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questions, since it fails to analyse the dual oppression of class and caste within the inner logic of production and exchange. For example, caste structures have historically not been merely the ideological form for class relationships based on land tenure divisions. During the period 600 A. D. to 1700 A. D. artisan and service *jatis* were basic units of the community division of labour and were engaged in widespread direct exchanges with families of local landed classes. Such groups owned basic means of production as well as controlled the technical knowledge of their occupation. A class reductionist approach tends to ignore the role of *jati* in pre-capitalist production and the specific nature of exchanges between castes producing means of production and those producing means of consumption. Secondly, in *bhaichara* communities during the pre-capitalist period, caste and family status mediated the distribution of use rights to village land.²

There are also several logical lacunae in a direct reduction of caste forms to class domination. First, interpreting the ideological domain as an immediate reflection of class interests ignores conditions by which subjects consent to ruling class definitions of social reality. And by definition, a functional conception of class hegemony cannot address the question of why it assumes different shapes across societies and through time. What objective relations specific to each social formation encourage common sense acceptance of caste and social hierarchy, on the one hand, and possessive individualism and formal equality, on the other hand? What superficial appearances of underlying relations condition the forms that social consciousness takes in each society? It is these questions which remain unresolved in a teleological reduction of the diverse modalities of consciousness to the universal necessity of class rule.

These empirical loose ends and logical problems have provided the gap into which present-day orientalist have rushed to deny the possibility of applying materialist categories to caste society. In the process, the specific features of caste society have become hypostatized into unique peculiarities of caste consciousness while simultaneously objective constraints have been transformed into purely subjective and ideal chains emanating from the subjects themselves. It is the specific features of caste which require explanation, in order to avoid the pitfalls of speculative idealism, on the one hand, and reductionism, on the other.

A possible way out of these difficulties is offered by a more precise specification of differences between capitalist societies in which "wealth appears as an immense collection of commodities"³ and those in which production is less completely dominated by the necessities of commodity exchange. In analysing the specific forms of social being in caste society through comparison with its forms in advanced capitalism, I will attempt to resolve the issues raised by *Homo Hierarchicus* materialistically, i. e., at the level of the social relations

which construct daily life. For while Dumont perceives empirical caste structures as the objectifications of "a single, true principle,"⁴ our method is just the opposite: "to develop from the actual, given relations of life the forms in which they have become apotheosized."⁵

Previous work has already discussed the differences in production, distribution and exchange relations between pre-capitalist and capitalist societies in general terms.⁶

This comparative approach begins its specifications of pre-capitalist societies through a series of negations of the conditions underlying the law of value. Perhaps paradoxically, more precise understanding of the nature of production and exchange in each pre-capitalist society seem possible through these negative comparisons. In particular, this approach focusses not only on mechanisms of surplus labour extraction, but also on the different forms of exchange relations in both capitalist and pre-capitalist societies. It is here that such an approach contains possibilities for understanding the logic of caste practice during the medieval period and the specific nature of its embeddedness in the exchanges between different sectors. If the commodity is the basic form of social exchange under capitalism, what are the implications of its incomplete development in caste society?

In bourgeois society, the all-round exchange of commodities requires that individual buyers and sellers—of labour power or any other commodity—be legally recognised as formally equal and freely contracting parties. In the exchange relation, all social distinctions between classes are extinguished to produce their formal equality as owners of money or commodities⁷. This constitutes the legal pre-condition for exchange without the intervention of direct force. Yet this formal equality stands in ever-increasing contrast to the necessary economic inequality in production relations between labour and capital. This consists of a contradiction between the legal subject as a universal bearer of rights and the conditions of production which necessitate the objective poverty of workers.

In pre-colonial India, however, relations between direct producers and controllers of the surplus product were not mediated by the sale of labour-power and its accompanying formal equality. Rather such relations were aspects of political subordination, such that socio-economic differences were simultaneously political and legal distinctions. Inequality reigned in all spheres, creating the material conditions whereby the unconcealed hierarchy of the social order was expressed in Hindu political and legal writings, such as the *Manusmṛiti*, as well as in its religious doctrines. However, ideological expressions of hierarchy were thus not specific to India, much less a unique peculiarity of the caste system. Rather capitalism is the first form of class society to oppose an egalitarian legal form to an unequal economic content.

In Dumont's analysis, however, hierarchy in India and equality

in 'the west' are posited as *a priori* givens. They constitute underlying structures from which the different legal and political theories of the two social formations emerge. Thus actual social relations consist of material manifestations of an underlying essence. In the process, Dumont has inverted the real relationship between social being and consciousness. Categories of thought have first been wrenched from their social matrix and then hypostatized through their transformation into generic types. In the final step, empirical relations are conveniently smuggled in as examples of the materialisation of imputed categories of thought. By such a procedure, the possibility of critically understanding the historical processes which produce different forms of social consciousness is eradicated.

Yet since all pre-capitalist class societies lack a generalised form of abstract labour, legal theory possesses neither the conditions nor the necessity to create formally equal legal subjects. Such conditions militated against the formation of egalitarian liberalism in pre-capitalist societies. For example, in Marx's discussion of Aristotle's insight into the necessary commensurability of physically different commodities, he notes that Aristotle was prevented from discovering the content of value due to the inequality of labour in slave society. "The secret of the expression of value, namely the general equivalence of all kinds of labour...could not be deciphered until the concept of human equality had acquired the permanence of a fixed popular opinion. This, however, becomes possible only in a society where the commodity form is the universal form of the product of labour, hence the dominant social relation is that between men as possessors of commodities."⁸ To argue, as Dumont does, that contrasting forms of thought constitute the essential differences between caste society and European capitalism is to assume the possibility of transcending the parameters that social relations place on the construction of dominant ideologies.

Dumont's Idealism

Speculative idealism permeates Dumont's analysis, since in his view caste society can be understood as the workings-out of a limited number of basic principles.⁹ For example, "the western atomistic notion that individuals are the basic units of society"¹⁰ is contrasted with a supposed Indian orientation towards holism. The latter concept implies that the social totality is conceived as possessing a *sui generis* unity beyond the individuals who constitute its empirical agents. In congruence with the principle of holism, the South Asian principle of hierarchy becomes transformed, and is defined as the manner in which the elements of the whole are ranked in relation to an all-encompassing principle, rather than a serial gradation of elements ranked in relation to each other.¹¹ By a neat sleight of hand, the principle of religious hierarchy, which supposedly expresses the embodiment of the social

totality is made to become the all-encompassing principle to which all other elements are subordinated.¹² Because the whole is represented by the religious principle, economic differentiation and political power become divorced from the principle of hierarchy as such, and subordinate to it. Thus for Dumont, a unique feature of the division of labour associated with caste is in its orientation to the needs of the whole.¹³ Indeed, even the appropriation of surplus product represents a symbolic sacrifice to the social totality.

In view of the well-reported attacks against untouchables by landlords or their agents, one could be forgiven for questioning Dumont's harmonic hierarchy and its subordination of class interests and political repression to an all-encompassing religious principle. The many reports compiled by the Commission for Scheduled Castes and Tribes on violent attacks against untouchable landless labourers whenever they attempted to bypass caste restrictions or demanded minimum wages could also shed doubts on Dumont's observational powers.

One should not be confused by mere events, however. It is comforting to know that within the confines of his idealism, evidence that economic control and political power continually intervene in caste relations represents merely "an anomalous participation of power in pure hierarchy".¹⁴ In other words, because empirical existence is construed as the materialisation of an underlying essence, counter-examples are imperfect approximations to the real! Thus the continuing catalogue of murder, rape, and dispossession of untouchable agrarian labourers does not represent anything fundamental about the caste system, but only a possibly 'modern' distortion of its non-antagonistic principles. In other words, if only untouchable agrarian labourers would cease demanding rather limited forms of equality, the real essence of holistic hierarchy would work itself out in material relations. Needless to say, such *a priori*ism wishes away exploitation as the exception and not the rule. In addition, it reproduces the inversion between real relations and consciousness which is a universal structure of dominant ideologies which confuse effect with cause to blame the victims for their social inferiority.

However, there are also logical problems with an *a priori* assumption of holistic interdependence, even as applied to the medieval period. First, the fact that interdependence is established through the market in capitalist society and through direct exchange within certain sectors of caste society does not mean that such interdependence is lacking in the former case and present in the latter. To assume so is to remain caught within the surface appearances which exchange relations present. Secondly, given the asymmetry of the structure of distribution in pre-capitalist societies, social and economic differentiation between classes and castes, rather than holistic interdependence, would have been reinforced through the

differential redistribution of the social product. Indeed, the face-to-face exchanges characteristic of the *jajmani* system would tend to highlight the social difference and separation between landholding *jajmans* and the various grades of artisans and servants. In capitalist society, in contrast, the legal equality and formal freedom of the contract would tend to conceal class separation and difference. In addition, the practice of caste endogamy and the association of caste birth with specific occupations could, over generations, link caste identity with a sense of genealogical separation between them. "In a strictly enforced caste or guild system, the social homogeneity of labour could not be expressed to a significant extent. Only on the basis of commodity production, characterised by a wide development of exchange, mass transfers of individuals from one activity to another, and indifference of individuals towards the concrete forms of labour, is it possible to develop the homogeneous character of all working operation as forms of human labour in general, in the abstract."¹⁵ By conceiving the relationship between *jati* components as a mere differentiation of function within an encompassing whole, Dumont seems to have unconsciously transferred a concept of general or abstract human labour from capitalist society to caste phenomena. Such a category does exist potentially in all societies with a developed division of labour, but this potentiality only becomes realised with the general transformation of labour power into a commodity. In addition, the differential redistribution of the agricultural product to various classes and castes would have expressed their separation and difference, rather than their subordination to the totality. Lacking a generalised form of value, the nonequivalent forms of concrete labour linked with caste could be invested with an aura of holistic interdependence only within their religious mediation. By confining his analysis within the realm of religious discourse, Dumont remains caught within an inverted web of appearances which conceals the structure of differential redistribution.

Dumont's inversion of the relationship between material relations and social consciousness is also manifested in his concept of structural opposition. In contrast to Evans-Pritchard, "for whom the segmental opposition between Nuer lineages becomes reality only in actual situations of conflict, the hierarchical segmentation of castes represents a synthetic *a priori* opposition between the principles of purity and impurity".¹⁶ Congruent with the premises of speculative idealism, by which real contradictions are transformed into contradictions in thought, *the opposition between purity and impurity exists as a necessary conceptual unity*. In thought, the concept of purity exists only in relation to its opposite concept, impurity. Thus Brahmins represent the material embodiment of the principle of religion purity, while the principle of impurity is materialised in the untouchable category of castes. Local variations in caste structures represent

different empirical manifestations of this conceptual opposition.

The problem here is that if actual variations in caste relations are seen as mere workings-out of the theme of purity and impurity, then all non-religious aspects of caste interaction become *ipso facto* residual elements. One facet of caste relations has been divorced from reality and then reified into its true "essence". At a later stage of the exposition, reality is smuggled in in such a way that the empirical content of the abstraction is arbitrarily constructed from just those aspects that do exhibit the values of purity and impurity. *Thus political dominance of landed over landless castes becomes incidental to the real nature of caste hierarchy because of its subordination to the religious principle.*

At the same time, political power has been defined so narrowly so as to make it conform to its imputed subordination to religious hierarchy. Political power is defined as "the monopoly of legitimate force within a given territory, i.e., force made legitimate by being subordinated hierarchically to Brahman and the Brahmins".¹⁷ Through such solipsisms, Dumont is able to maintain the logical priority of religious hierarchy of political domination. In addition, class differences are swept aside as being important only in the middle ranges of caste ranking, with the outer extremities of Brahmin and untouchable in forming the system as a whole, or they become deviations from the norm.

The fact of Brahmins being landlords then represents a secularisation of and deviation from the principle of religious hierarchy. And the beating of an untouchable for crossing the residential area of a martial caste becomes an anomaly to the purity-impurity opposition.¹⁸ In the final analysis, Dumont has created a logical ordering of categories which go beyond reality while simultaneously smuggling in empirical examples which fit the imputed categories of thought. By transforming real class and caste contradictions into oppositions in thought, he accomplishes not a critical understanding of the social relations which produce caste ideology, but an apology for Brahminical Hinduism.

In order to criticise a theory, however, it is not sufficient to expose its ontology and demonstrate the ideological presuppositions which produced and are reproduced by it. If it is acknowledged that ritual gradations did exist as an aspect of caste relations, then one is also required to construct an alternative understanding which analyses the purity-pollution complex through the particular necessities of social production and exchange in pre-capitalist India. In common with other agrarian formations in which direct producers were not separated from the means of production, political force constituted the ultimate mechanism by which surplus was pumped out of the direct producers. In contrast to other feudal societies, however, caste society was characterised by complex rules and prohibitions

relating to the avoidance of contact between castes, as well as between people and certain objects. Given this fact, it is necessary to address the question of why class differences in medieval India appeared to be defined by ritual status, as opposed to the legal statuses of estate categories.

Instead of posing this question in terms of the reproduction of unequal relations of production, which collapses distinctions between different forms of social domination, our approach is quite different. Instead, the focus will be on the objective conditions under which exchange relations take the ritualistic form of rules of exclusion and social distance. This appears to follow Marx's method, in which it is "much easier to discover by analysis the earthly kernel of the misty creations of religion than to do the opposite, i.e., to develop from the actual, given relations of life the forms in which they have become apotheosized. The latter method is the only materialist, and therefore, the only scientific one."¹⁹

Non-Commoditised Systems of Circulation

An assumption underlying this enquiry is that for a particular ruling class definition of social being to be internalized and reproduced over centuries, it must coincide at least partially with the appearances of existing material relations. Thus the following discussion analyses the appearance which non-commoditised exchanges between occupational castes necessarily presented, and the manner in which the ritual gradation converged with those appearances. A parallel example of such an approach is Marx's discussion of how "membership in the clan community in 'tribal' societies appeared as the presupposition, rather than the result of possession and use of the land".²⁰ Another example is his analysis of the social classification of slavery in classical antiquity.²¹ Because slaves were themselves commodities, there existed no legal separation between the subject of the labour process and the objective conditions of production. Thus the 'citizen' treated the 'slave' as a natural condition of his own reproduction. There "labour in the form of the slaves was classified as an inorganic condition of production along with other natural beings."²² This analysis does not contradict the effects that such ideological classifications produced in maintaining the class domination of citizens over slaves. Rather it specifies the area of convergence between the social relation of slavery to the conditions of production and its expression in classificatory terms. By specifying the boundaries of congruence between material appearances and their reflection in consciousness, one can push further towards understanding the specific currents of different forms of ideological hegemony. It is also possible that it is in this area of convergence between appearance and reflection that understanding of the processes of consent may be deepened, since these reflections provide the rational kernels of different forms of

ideological domination.

What, then, are the common characteristics which non-commoditised systems of circulation possess in contrast to those of fully emergent capitalism? In pre-capitalist societies, legal, religious, and political elements intervene internally in relations of production and circulation, in contrast to capitalism, the first form of society in which 'the economy' is separated as a self-contained entity.²³ Here, by contrast, they form its external preconditions by determining the initial separation from or ownership of the means of production which is reproduced through the legal enforcement of private property relations. Once commodity relations become generalised throughout the social formation, products are circulated between isolated producers and consumers unconsciously and independently of their will. The law of value provides commodities with a qualitative equivalence as values and presupposes relatively independent markets which subject enterprises to pursuing the average profit rate as the necessary logic of capitalist accumulation. It also establishes the socially necessary labour time for production in different industries and allocates proportions of labour time to the various sectors independently of the will of the producers themselves. The law of value thus establishes the quantitative proportions in which commodities exchange, with a money equivalent providing the material expression of their qualitative equality and quantitative proportionality.²⁴

In the absence of the law of value to regulate unconsciously the proportions in which products circulated, the process of circulation in pre-capitalist societies was embedded in political constraints and customary norms. Consequently, class interests did not achieve full economic articulation, while, the structuring of society into estates or castes presupposed that economic elements were inextricably joined to political and religious factors.²⁵ It is only with capitalism that classes can be defined primarily at the economic level and are embedded in the process of production itself. In contrast to the independent and unconscious character of market circulation, non-commoditised exchange systems possessed a more totally social character which subsumed religious and political elements. The direct circulation of use-values was mediated by customary proscriptions which acquired the force of tradition over time. And "in slowly changing societies, these customary beliefs came to be regarded as everlasting and thus sanctified by divine reason and will."²⁶ *Instead of the commodity fetishism characteristic of capitalist exchange, there existed a religious fetishism which mediated the circulation of use-values.*

Previous literature in economic anthropology presents many examples of the embeddedness of direct exchange in the customary norms and kinship networks of segmentary societies. Generally, the products circulated within the internal logic of kinship structures manifested a dual aspect: as objects of use they satisfied socially

determined needs, while as ceremonial objects they expressed the specific social rules of prescribed exchange relations between kinship or "tribal" segments. The dichotomy between ritual worth and use-value was expressed in as many different forms as were congruent with the customary logic of production, kinship, and exchange in each social form.

Exchange in Caste Society

The general division between use-value and a customary ritual worth presents striking parallels with the classification of products in caste society. While the apparent simplicity of the ritual gradation between purity and impurity evaporates in the face of regional variations, it is usually possible to relate the distinction between use-value and ritual worth to certain physical objects. Agricultural crops, which constituted the major social product, were generally considered to be ritually neutral and possessed use-value alone. The qualities of purity and impurity, on the other hand, were thought to be embodied in certain objects and applied to concrete relationships between different castes. For example, all products of the living cow were considered purifying in their application. Polluting substances, on the other hand, were related to dead or decaying organic matter, with special emphasis placed on products of the dead cow and on all human wastes. Since pollution was perceived as a property inherent in daily agrarian life, purity was a relative condition which could be temporarily achieved through the avoidance of impure substances and the removal of polluting accretions by specified rituals. Thus the ritual gradation acted to place the highest social worth on those occupations most removed from the rigours of agricultural labour. It should also be noted that the agricultural product, whose distribution between the intermediary and the peasant marked the major class cleavage in agriculture, was not subject to a ritual expression. The purity and impurity distinction seemed to characterise only the circulation of the product of artisanal and service classes.

The distinction in the social product between use-value and ritually classified products corresponded to the necessities of distribution and circulation in non-commoditised pre-capitalist economies. The level of feudal rent, i.e., the proportional distribution of the agricultural product between cultivators and landlords, was a function of the relative power of each class and was therefore not dependent upon a ritual or customary mediation. This was indeed the case in the United Provinces in the mid-nineteenth century, where "rises in rents were coincidental to price movements and were governed by the relative power of the zamindiar in both improved and unimproved tracts."²⁷ Thus the distribution and quantitative exchange of the agricultural product was most purely determined by political power alone and, as it entered wider spheres of exchange, by general

movements of commodities and prices.

However, the circulation of the artisanal product and services within localised systems of exchange was governed by a different logic. In the absence of the law of value to establish their qualitative equality as crystallisations of abstract labour, how was the exchange of the quantitative proportions of the products of different types of concrete labour established? My suggestion is that their ratios of exchange were fixed by a customary standard which subsumed both their concrete labour input and the relative status of the product and the *jati* which produced it. Given the fact that caste society was an overtly hierarchical society, the customary sphere of exchange was also expressed through the medium of a ritual hierarchy. Thus the continuum of purity and impurity acted as an expression of the relative social rank of products within an openly hierarchical social formation. It fixed goods and services with a relative rank which subjectively mediated the quantitative ratios at which they were exchanged. Within the parameters of localised, non-market exchange circuits, it acted as a regulator of the redistribution of the social product.

Before elaborating on this theme, however, it is first necessary to determine the extent to which exchanges within communities between sectors producing means of production and consumption remained isolated from commodity relations within wider spheres of exchange. During the later Mughal period, relations of production and circulation were characterised by a multi-sectoral structure.²⁸ Cities were economically dominated by two classes: on the one hand by Mughal nobles and state functionaries who owned workshops, and on the other hand by merchant capitalists. The latter were engaged in the long-distance trade of agricultural products and consumer items produced by urban artisans on a putting-out basis. Agricultural product was transferred to urban merchants mainly through the mechanism of land revenue, while luxury consumer items produced by urban artisans were also circulated to the upper stratum of rural landholders through the medium of merchant capital. Merchant capital had thus inserted itself within the sphere of exchange between sectors characterised by different conditions of production.

In general, however, the interchange between town and country was characterised by a one-sided influx of the agricultural product into the cities.²⁹ It was mainly the surplus product of agriculture which alone became a commodity, and a portion of that not until it had passed through the state apparatus. In most regions of the Mughal empire, the high level of revenue demand and local *zamindari* rent precluded increased investment by cultivators in means of production. This ensured that the technical basis of farming remained unchanged and preserved the existing level of demand for farm implements. These continued to be produced and exchanged directly between

artisan castes and local cultivators within a bounded community circuit. Despite the monetisation of rents which followed the reforms of Akbar and Sher Shah, the subsistence basis of farming was not eroded. The land revenue was often converted into cash by local *zamindars*, tax farmers, or through local usurers to urban bankers. Indeed, in Maharashtra, where the *patels* gained control over the land revenue, they also engaged in usury-in-kind to cultivators who had little access to the market.

At the same time, the monetisation of rents and consolidation of proprietary rights by *zamindars*, *patels*, or *talukdars* produced increased differentiation within these rent-receiving classes. This increased the demand for consumer articles produced by rural artisans while simultaneously individualising the exchanges. Consumer deals increasingly took the form of individual sales paid in kind or cash, while consumer artisans often became independent commodity producers divorced from the customary structure of distribution.³⁰ By the latter half of the eighteenth century, weavers, oil makers, and cotton combers were mainly independent commodity producers in many regions. Jewellery-makers were also on the verge of being separated from intra-community bonds during this period, with the bulk of their income obtained from usury. On the other hand, production-oriented artisans such as carpenters, blacksmiths, and potters tended to retain their customary position and method of remuneration.³¹ While the model of the self-sufficient village community is too simplistic even for the later medieval period, the exchange between production-oriented artisans and landholding cultivators continued to be embedded within a natural economy. It is in this context that the ritual gradation of caste occupations can be understood.

Since commodity relations had only partially penetrated village exchange systems, the circulation of non-equivalent products and services between members of different castes did not take the social form of buying and selling of the products of labour. Products were not socially constituted as commodities possessing value and a corresponding value-form. Thus the inter-dependence between producers and consumers was not established indirectly through the market, but took the form of direct and long-term exchanges commonly called the *jajmani* system. The *jajmani* system linked occupationally specialised *jatis* to the local landholding class in a network of hereditary and asymmetrical relationships. Several families of caste specialists were attached to each landholding family, producing artisanal implemets or services in return for which they received bi-yearly or monthly fixed payments in kind plus a variety of perquisites. In some areas, certain castes, such as the Chamars in the United Provinces, constituted an ascriptive labour force which was at the beck and call of the *jajman* when the latter required help in the fields. This structure

of customary distribution was far from being egalitarian, since the dependence of socially lower castes on landed families deprived them of customary rights in handicraft articles.

The Determinants of Distribution

The socially necessary level of remuneration was not determined through the market, but took a customary form which corresponded to hierarchical concepts of justice inscribed within a religious discourse. Fixed payments in kind were not perceived as remuneration for work between contracting parties, but as a means of maintaining the landlord's dependents. The asymmetrical distribution of goods and services between differentially ranked castes was fixed over time as village 'custom', codified in village records and enforced by the *panchayat* of the dominant landholding caste. Thus the determination of the socially necessary standard of consumption of different castes and classes was embedded within a complex of customary agreements and face-to-face relations, and ultimately determined by the relative power of the local landed class. But at the same time, this ultimate determination was mediated through the ether of religious fetishism.

Non-agricultural products and services possessed two forms: In common with the products of labour in all social formations they possessed use-value, while their specifically social form in caste society consisted of their expression of a relative ritual rank. As such they mediated in the process of exchange, because concretely different things require a common standard of equivalence before they can be quantitatively compared. The ritual scale provided qualitatively different products of labour with a standard of equivalence such that their exchange would appear to be consistent at the point of circulation.

In turn, the abstraction of purity or impurity was reflected in the different types of concrete labour required to produce the means of production and consumption. Caste specialists in the production of impure goods, and those service castes associated with the removal of organic wastes were attributed with a massive impurity which was impossible to remove through expiatory ceremonies. These *jatis* were thought to be literally untouchable, since their mere physical contact was believed to transmit pollution to caste Hindus. On the other hand, Brahmins were considered a pure caste, since the services which they performed removed them somewhat from the polluting accretions of daily life. The social distance between agrarian serfs and other untouchable *jatis* in relation to pure castes was expressed not only in the avoidance of their physical contact and food exchanges but also in their exclusion from temples and wells, and residential seclusion.

Given the embeddedness of exchange processes in social and political elements, the quantitative circulation of products was

effected by a conjunction of factors and expressed through the status categories of caste rank. In turn, the relative status of each caste was determined by a conjunction of political power, control over land, and occupational purity. The relative demand for a particular product and the ritual status of each caste converged to define the customary right of each *jati* to the social product. At the same time, the particular status of each caste was abstracted from the power to control the means of production and apotheosised in the ritual gradation of purity and impurity. Customary shares in the social product were those which conformed to the perceived status of each *jati* within the community. This customary form of exchange depended on the face-to-face character of intra-community exchanges and the localised character of *jati* groups, since within the community each individual was aware of the relative status of all others. This entailed that caste status, being dependent on the perceptions of fellow villagers, was a group rather than an individual characteristic. Disjunctions at a particular point in time between the secular power of a caste and its status position may therefore be explained by a necessary time lag between the acquisition of political power and its community perception, rather than by an encompassing of power by religion. Thus the agricultural product and artisanal handicrafts were exchanged at ratios which roughly conformed to the perceived status of each caste within particular regions and at a particular point in time.

There is a relative lack of information on the quantitative ratios at which agricultural and artisanal products were circulated within local community exchanges. Wisner, in an idealised analysis of the *jajmani* system in a western UP village, documents the asymmetrical distribution of grain by the *jajmans* to *kamins* according to differential caste rank.³² Brahmin *jajmans* were required to give carpenters and blacksmiths 10½ pounds of grain per harvest and per plough, while the less pure Kayastha *jajmans* were required to give more: 14 pounds of grain at each harvest and per plough used. Potters and barbers, who ranked ritually above carpenters and blacksmiths, received two pounds of barley as well as 14 pounds of wheat per plough at each harvest from Brahmin *jajmans*. Washermen, who were lower in status, received only 8.4 pounds of grain, while untouchable families received in the nature of a charity handout. This consisted of between 1.4 and 2.8 pounds of unthreshed grain per harvest on the condition that they presented themselves in the *jajman's* fields. This tended to reproduce 'untouchable' agrarian workers as semi-servile labour, since they remained dependent upon the *jajmans* for daily handouts and periodic consumption loans. The only symmetrical exchange of goods and services occurred between barbers, grain parchers, and potters, who were of relatively equal status.³³

In Maharashtra during the latter half of the eighteenth century,

Mughal records contain three divisions of artisans differentiated by status, as well as the proportions of grain received by each in the community division of labour.³⁴ Carpenters, blacksmiths, and harness makers received 30 units of grain plus a small strip of community land. Potters and teachers received 25 units of grain per harvest, while Bhar and Mahar *jatis* received only 20 units of grain per harvest. The latter were mainly field labourers whose caste occupation was classified as untouchable servants. Here it appears that the distribution of grain was determined by a combination of demand for the artisanal product and occupational status. Harness makers, carpenters, and blacksmiths were those artisanal *jatis* whose products were most essential to agrarian production, and whose concrete labour input was consequently greater than that of potters and teachers. Bhar and Mahar *jatis*, on the other hand, were both ritually degraded and the most dependent upon landholding families.

Within caste society, differential political power defined the relations of production between *zamindars*, *maliks*, and *kisans*, since it ultimately determined access to and control over the land and its products. Class relations were reproduced by relations of political superordination and subordination. Such relations also constituted the major point of political articulation between local communities and the state apparatus. Within the villages, however, the scale of purity and pollution represented the religious reification of customarily defined shares in the social product at the point of circulation. Thus the total cycle of social reproduction between concrete labour input and the final consumption of its products was conditioned by relative political power and expressed through a ritual form.

In the absence of the law of value, the process of exchange was necessarily permeated with customary norms which conformed to the overt hierarchy of a pre-capitalist structure. Just as relations of buying and selling in the sphere of capitalist exchange react on class relations by positing the contract as the form of relations between capital and labour, so the scale of purity and pollution reacted on the sphere of production in caste society by positing religious ritual as a form of relations between castes.

It was the convergence between the necessary appearance of non-commoditised exchange and its reflection in a religious scale which provided the rational kernel of this ideology of domination. Lacking a material form of equivalence, the quantitative interchange of products could only be expressed in terms of the ruling traditions of the customary ethics of each community. The appearance which non-commoditised exchanges presented was that the redistribution of products and services was relegated to a religious realm. Thus religious definitions of the differential distribution between castes appeared as the inherent presupposition of customary exchanges rather than what it really was, the necessary result of such exchanges. To

state that this differential structure of redistribution depended upon the power to dispose of the means of production is to reveal the necessity for specifying the additional mediations through which political power become expressed in its symbolic form.

The Contrast with Capitalism

The interdependence between production and consumption in both caste society and capitalism is mediated by different processes of circulation which impart, in each case, a specific social form to labour and its products. While concrete labour and its materialisation in different use-values is a universal feature of all societies, it additionally acquires specific social characteristics which vary from one mode of production to another. In a society based upon private production, relations of buying and selling dominate the entire range of social relations within the sphere of circulation. Such relations define various use-values as commodities by positing their particular social form as bearers of value. In turn, the equalisation of commodities as values is also the equalisation of the different forms of concrete labour within the total economy, since the one quality which commodities possess in common is that they are expressions of human labour in the abstract. Hence both labour and its products possess two aspects in commodity-capitalist society. Different types of concrete labour produce qualitatively different useful products. But as abstract labour which provides the value content of commodities, it is the specific social form by which private labour becomes realised as social labour in capitalism.

Besides being use-values, many products and services in caste society also possessed a specific social characteristic as expressions of ritual purity or impurity; a characteristic which simultaneously graded them on a common ritual scale and differentiated them as qualities of unequal rank. In addition, the various types of concrete labour acquired the social characteristic as expressions of the ritual prestige of the products of labour. Hence both social formations are characterised by fetishised relations arising in the sphere of circulation.

In capitalist society, direct relations of exploitation are mediated by the fetishism of the commodity which imparts a formal equivalence to labour relations and makes it appear that the wage is an equal exchange for total hours of labour input. In caste society, on the other hand, the direct exploitation associated with the sphere of production is mediated by a religious fetishism which appears as the necessary presupposition of the asymmetrical redistribution of the social product. Since both are class-divided societies, their reproduction depends partly on a disjunction between what really is, and the surface appearance which is presented. And in both social formations, the appearances which disguise class exploitation are partially

contained within the social relations of exchange themselves.

Although much attention in the past has been paid to the mechanisms of surplus labour extraction in pre-capitalist societies, it seems that analysis of the specific forms of exchange in each social formation remains a relatively unfamiliar topic. By ignoring the different forms of exchange between the various sectors within caste society, the question of why production relations were enveloped within a ritual form has been conceded to present-day orientalist. Observing the gaps in a class-reductionist approach, the latter have misrepresented materialism and then pronounced it Eurocentric and hence irrelevant to India. This has led to a dual epistemology, two ways of understanding the world, and an ideological relation to caste society which is not applied to capitalism. In the process, the ideological forms associated with caste have been reified into concrete givens. Thus the dual oppression of untouchable landless labourers is converted from being a product of the ensemble of production and exchange relations into an ideological chain emanating from the subjects themselves. And real relations between producers are presented as aspects of relations between religious principles endowed with a life of their own. This inversion presents striking parallels with commodity fetishism, in which direct relations between producers are inverted into social relations between the products of labour endowed with a life of their own. It is by explicating the total ensemble of social relations which produce the different forms in which production relations are encased that the inversion of their specific features into ideological givens may be genuinely criticised.

- 1 Such at least seems to have been the case with the cooption of *bhakti* reformism during the medieval period.
- 2 W Neale, "Land is to Rule", in R Frykenberg (ed), *Land Control and Social Structure in Indian History*, 1969, p 5. 3 Karl Marx, *Capital*, Vol 1, 1977, p 125.
- 4 L Dumont, *Homo Hierarchicus*, 1970, p 43. 5 K Marx, *op cit*, p 494.
- 6 M Harbsmeier, "Critique of Political Economy, Historical Materialism and Pre-capitalist Social Forms", *Critique of Anthropology*, 3(2), 1978, pp 3-37.
- 7 K Marx, *Grundrisse*, 1973, p 241. 8 K Marx, *Capital*, Vol 9, p 152.
- 9 Dumont, *op cit*, p 41. 10 *Ibid*, p 8. 11 *Ibid*, p 66. 12 *Ibid*, p 66.
- 13 *Ibid*, p 82. 14 *Ibid*, p 82.
- 15 I I Rubin, *Essays on Marx's Theory of Value*, 1976 (1926), p 134.
- 16 Dumont, *op cit*, p 43. 17 *Ibid*, p 153. 18 *Ibid*, p 82.
- 19 K Marx, *Capital*, Vol 1, p 494.
- 20 K Marx, *Grundrisse*, 1973, p 472. 21 *Ibid*, p 489. 22 *Ibid*, p 489.
- 23 M Harbsmeier, *op cit*, p 30.
- 24 Logically, commodities require an expression of their qualitative equality before they can be quantitatively compared.
- 25 G Lukacs, *History and Class Consciousness*, 1971, p 55.
- 26 V I Pavlov, *Historical Premises of India's Transition to Capitalism*, 1979, p 13.
- 27 E Whitcombe, *Agrarian Conditions of Northern India*, 1971, Vol 1, p 134.
- 28 Pavlov, *op cit*, p 10. 29 *Ibid*, p 44. 30 *Ibid*, p 56. 31 *Ibid*, p 55.
- 32 W Wiser, *The Hindu Jajmani System*, 1936, pp 41-45. 33 *Ibid*, p 43.
- 34 Pavlov, *op cit*, p 70.

COMMUNICATION

On the Capitalist Crisis

THE DISCUSSION on capitalist crises in a recent issue of *Social Scientist* has thrown up a number of interesting questions.¹ In this note, we propose to offer some comments on the discussion. The plan of this note is as follows. First, we briefly summarise the essential points made in the discussion. Then we take up the question of the relationship between crisis and the rate of profit under capitalism. And finally, some comments are offered on the notions of "post-revolutionary society" and "the crisis of socialism."

E M S Namboodiripad's paper traces the historical development of capitalism from its competitive phase to its present monopoly stage. It also shows how the teachings of Marx and Engels, and subsequently of Lenin, on the laws of motion of capitalism have, in the main, been borne out. It reviews the advent and subsequent evolution through successive stages of the crisis of capitalism. It identifies the main features of the general crisis of capitalism thus: "The emergence of socialism, at first in one country, then in a group of countries which constitute the socialist camp, and the virtual end of the colonial system are thus the main features of the general crisis in its three successive stages of development." Reviewing the developmental experience of socialist countries, the author concludes: "Such countries as have taken their economics and politics along the capitalist path and allied themselves politically and economically with the capitalist world lag behind those that have brought about radical transformations in their internal economy and polity and externally freed themselves from the world capitalist grip."

The author, however, notes that "socialist development has its own problems which, if not solved in time can lead to crisis situations". He notes that a crisis situation could result from a violation of any of the following: recognition of the fact that "the socialist world...coexists with the capitalist world", "planning (based) on the principle of balanced and proportionate development", "step by step nationalisation, collectivization and social control" of all means of production including land, consistent struggle against alien class ideology including religion, the leading role of the party of the

working class based on the principles of democratic centralism.

The author concludes by noting that the struggles for peace in the world, development in the underdeveloped world, socialist transformation in the developed capitalist countries and rapid completion of humanity's transition from capitalism to socialism are all interconnected. All these "...merge into the struggle against the 'military industrial complex' that has come into existence in the capitalist world."

Prabhat Patnaik's paper spells out the dimensions of the present economic crisis of world capitalism. The crisis has seen not only a sharp decline in GDP growth rates but also a steady increase in the unemployment rate and high rates of inflation in all the major advanced capitalist countries during the last decade. The crisis of "declining growth rates, growing unemployment, accelerating inflation and negative current account balances" represents a radical departure from the previous post-war period (which was one of a long boom). The paper traces the origins of the current crisis from the specific context and character of the post-war boom, in particular the pre-eminent position of the US in the imperialist world and the vastly increased involvement of the state especially in demand management. The tendency towards inflation inherent in state monopoly capitalism was further accentuated by the rapid rates of obsolescence resulting from the occurrence of the scientific and technological revolution under conditions of monopoly. The character of the post-war boom also entailed losses for workers and for primary commodity producers. The other element which accentuated the contradictions during the boom was the rise of rival imperialist powers, sharpened inter-imperialist rivalry and the associated break-down of the capitalist international monetary system. All of this was further exacerbated by the oil price hike of 1973. The serious economic crisis which followed in 1974-75 remains unabated. The world capitalist economy has entered the 1980's caught in the throes of its worst crisis since the Great Depression. In the face of the failure of both Keynesian and monetarist approaches to solve the crisis by passing on its burdens to the working class via wage freeze and larger unemployment, more openly authoritarian attacks on workers may well follow.

In his comments, K N Raj argues that the present crisis, rather than being "of the kind that Marx had in mind... is linked more directly with the growth in power of financial interests following the phenomenal accumulation of petro-dollar deposits in western banks, together with the loss of technological leadership on the part of the United States in many important industries". Raj also expresses concern over what he sees as Namboodiripad's "...rather complacent analysis of what ails the post-revolutionary societies". Raj refers in this connection to the serious disproportionalities in the Chinese

economy and wonders whether there is something in the present organisation of socialist societies, and the conflicts of interest within them, that tends to stimulate unbalanced and disproportionate development. Finally, Raj quotes at length from Paul Sweezy to make the point that serious questions have been raised about the nature of societies such as the USSR and China but that this kind of questioning is not even mentioned in Namboodripad's paper. Raj concludes that the attitudes that Namboodiripad's paper reflects may be of some help in the short run but can only cause greater disillusionment in the long run.

On the Law of the Falling Rate of Profit

A central issue raised in the discussion summarised above relates to the question of capitalist crisis and its relationship to what Marx called "the law of the tendency for the rate of profit to fall".² Since conceptual problems and confusion abound here, it is useful to start with some clarifications. Marx refers in his writings not to one single unique kind of crisis but to different kinds of economic crises under capitalism. Nor does Marx's use exhaust the term. Marxists since Marx talk of the general crisis of capitalism, which is economic, political and ideological in character, and is associated with a specific stage in the historical development of capitalism, namely, the epoch of imperialism. It is largely this general crisis, its successive phases and its concrete manifestations at the present time that Namboodiripad's paper was concerned with. With regard to economic crises under capitalism, the Marxian literature points to more than one source of such crises. At the most general level, we have crisis arising from disproportionality among the different branches of production, the tendency to such disproportionality being inherent in the anarchic character of capitalism. More specifically, we have the particular case of disproportionality between the production of means of production and that of means of consumption. This can be traced to the contradiction between the rapid growth of the producing power of the capitalist mode of production and the restricted growth of its consuming power, which in turn arises from the contradiction between the increasingly social character of production and the private character of appropriation under capitalism. Thirdly, we have Marx's observations on the law of the tendency for the rate of profit to fall and its role in causing economic crises. Thus to say that "it is still an open question whether the present economic crisis is of the kind Marx had in mind" is something of a non-sequitur, since Marx himself had referred to more than one kind of crisis.

What Raj seems have in mind, however, is the question of whether the present crisis in capitalist economies, especially the developed ones, can be directly related to Marx's conception of

a falling rate of profit. His own answer is in the negative. The warning against any attempt to link mechanically Marx's theoretical propositions on the tendency of the rate of profit to fall with any concrete economic crisis in the capitalist world is well taken. However, Marx's conception of the so-called law itself must be clearly understood. The law has often been interpreted in a very empirical fashion to mean a secular decline in the rate of profit. A closer examination of Marx's observations in connection with the so-called law brings to light other important theoretical aspects not reducible to a simple empirical proposition. The *quantitative* essence of the law is that the higher the level of organic composition of capital, the lower will be the rate of profit associated with a given rate of surplus value. The *qualitative* essence of the law is that it is "...an expression peculiar to the capitalist mode of production of the progressive development of the social productivity of labour."³ Marx's elaboration of this point is worth noting:

The contradiction, to put it in a very general way, consists in that the capitalist mode of production involves a tendency towards absolute development of the productive forces, regardless of the value and surplus-value it contains, and regardless of the social conditions under which capitalist production takes place: while, on the other hand, its aim is to preserve the value of the existing capital and promote its self-expansion to the highest limit (i.e., to promote an ever more rapid growth of this value). The specific feature about it is that it uses the existing value of capital as a means of increasing this value to the utmost. The methods by which it accomplishes this include the fall of the rate of profit, depreciation of existing capital, and development of the productive forces of labour at the expense of already created productive forces.

The periodical depreciation of existing capital—one of the means immanent in capitalist production to check the fall of the rate of profit and hasten accumulation of capital-value through formation of new capital—disturbs the given conditions, within which the process of circulation and reproduction of capital takes place, and is therefore accompanied by sudden stoppages and crises in the production process.⁴

The basic point that the law forcefully brings out, again in Marx's words, is this: "The *real barrier* of capitalist production is *capital itself*. ...The means—unconditional development of the productive forces of society—come continually into conflict with the limited purpose, the self-expansion of the existing capital."⁵ It should be evident not only from the above passages but also the entire presentation of the so-called law by Marx that to interpret the law in a purely empirical manner is rather one-sided. In any

event, several serious problems are involved in such an interpretation.

Firstly, Marx develops the law within the logic of the theoretical construct of the capitalist mode of production. At this level, the essence of his argument is that with relative surplus value production, a rise in the rate of surplus value is accompanied by a rise in the organic composition of capital. While the former has the effect of raising the rate of profit, the latter would tend to depress it. Thus an *a priori* assertion cannot be made that the rising organic composition of capital associated with the development of productive forces in the capitalist mode of production will lead to a falling rate of profit. Marx's argument about a tendency for the rate of profit to fall is certainly not made in ignorance of this point. At one level, Marx's argument is simply a logical one: given the rate of surplus value, a higher organic composition will necessarily be associated with a lower rate of profit. At another level, Marx's proposition about the falling tendency of the rate of profit, represents a specific understanding of the dynamics of the capitalist mode of production. A simple way of illustrating this point is as follows: The capitalist mode of production is one in which individual capitalists, independently of each other and in the light of their own profit expectations, make investment decisions. Production of relative surplus value, via mechanisation and the consequent rise in organic composition of capital is the result of this process. Since the process itself is an unplanned and uncoordinated one, however, there is no reason to expect the rise in the rate of surplus value (which is not determined by the individual capitalist or the labour process under his control, but is rather determined by the impact of investments in various branches of production on the value of labour-power) to be commensurate with the rise in the organic composition of capital, and thus to prevent a decline in the rate of profit. In fact as such a rise in the overall social rate of surplus value largely depends upon the flow of scientific and technical inventions and their impact on labour productivity, and as these are not the products of prior, rational planning, there is every reason to expect that the inevitable discontinuities in these (the flow and the impact on productivity of scientific and technical inventions) will be reflected in a recurring tendency for the rate of profit to fall. There is no need to conceive of such a tendency simply in terms of a long-run secular decline in the rate of profit.

Raj refers to a finding that the decline in the rate of profit of non-financial corporations is explained not so much by changes in the organic composition of capital or by the inadequacies of demand but by the rising strength of labour and the consequent increase in the relative share of labour in value added. I am afraid this in itself has no bearing on the question of whether the available evidence on trends in the rate of profit and related phenomena are consistent

with Marx's theory of crises. Apart from the obvious theoretical and empirical difficulties involved in determining the organic composition of capital from such data as are available, there are also serious problems involved in identifying "the share of wages in value added" as an inverse proxy for the rate of surplus value. There is also the much more basic difficulty that Marx's analysis concerns the capitalist mode of production as a theoretical construct and the data relate to an advanced imperialist economy in the monopoly stage of world capitalism.

It is also difficult to accept unreservedly Raj's argument that the crisis is linked with the increasing power of financial interests to whom he attributes the policy of monetarism, a policy "the stupidity" of which he feels may soon become obvious. Raj argues in this context that a solution for America's balance of payments deficits on current account could be found through a massive investment programme for making up the technological lags but that the U S opts instead for keeping interest rates so high that they can only have the opposite effect of discouraging such investment. While this may seem eminently rational from the standpoint of society as a whole, the simple fact is that this is not the kind of rationality on the basis of which capitalism works. In the specific context of capitalism in the U S today, Raj's solution runs against a basic hurdle: how is such a massive investment programme to be financed? Given the class nature of the capitalist state, presumably not by taxation. The route would be through more and more "incentives" of which a lowering of interest rate suggested implicitly by Raj is one. But the likely impact of that on inflation and consequently on American competitiveness makes it far less attractive. The present policy, on the other hand, which uses the sharpening of the recessionary crisis to depress wages and break working class bargaining power, may not be all that stupid from the point of view of the ruling class. That it still does not provide a 'solution' for the capitalist crisis is simply an indicator of the depth and complexity of the latter, spanning as it does the entire arena of world capitalism, and involving as it does important ideological and political dimensions as well.

"Post-Revolutionary Societies"

The *Social Scientist* discussion on the capitalist crisis has also thrown up some questions concerning the so-called "post-revolutionary societies". There is of course a basic difficulty with the expression itself. Each revolution—even each one of the revolutions of the twentieth century made in Russia, China, various East European countries etc.—has its specific features. These specificities are not merely "national" in character. Each was made in a country at a distinct stage of social development and in a specific international environment. China of 1949 and the Chinese revolution necessarily differ

in many respects from Russia of 1917 and the Russian revolution. While this may seem obvious, it should carry the equally obvious implication that one cannot talk of "post-revolutionary society" in general. Sweezy prefers this expression, however, since he does not wish to call those societies where socialist revolutions have been victorious as "socialist societies". This cannot however be dismissed as a purely semantic problem. While the term "socialist society" has an objective basis—socialism, implying full socialisation of the means of production and proletarian democracy being seen as the logical culmination towards which these societies are consciously moving, and for which certain fundamental steps have been taken, such as abolition of capitalist and pre-capitalist property relations and the overthrowing of the erstwhile capitalist and pre-capitalist ruling classes—there is no objective basis for defining "post-revolutionary societies".⁶

This point apart—and it is one which needs to be elaborated, although that cannot be done in this paper—there is the long quotation on the nature of Soviet Union by Sweezy to which Raj refers, apparently in approval. The quote consists of a series of assertions not all of which can be taken up for discussion here. However, at least one of them is so obviously unsupported by empirical evidence that it needs to be contested. Sweezy asserts that Soviet society "...seems to have entered a period of stagnation, different from the stagflation of the advanced capitalist world but showing no more visible signs of a way out".

As Prabhat Patnaik points out, Soviet economic growth even in 1981 was far higher than in the capitalist world though slightly lower than its own growth rate in 1980. In any event, to talk of "stagnation" one must be able to show that over a substantial period of time growth has decelerated and the rate of growth is approaching zero. The following table on basic indicators certainly does not support the thesis of "Soviet stagnation".⁷

<i>Indicator</i>	<i>Value index</i>	
	1970	1980
Gross Social Product	100	167
National Income used for consumption and accumulation	100	155
Industrial Production	100	178
Agricultural Production	100	123

The point, of course, is *not* that socialist countries do not have problems. They certainly do have, and these difficulties are not merely economic. However, one's awareness of such difficulties and of the need to analyse the origin and dynamics of such difficulties, need not lead one to a position such as Sweezy's. While many of Sweezy's contributions to Marxist and socialist thought remain invaluable,

one's respect for Sweezy need not require one to follow him in the abandonment of an objective basis for distinguishing countries with victorious proletarian revolutions engaged in the transition to socialism from capitalist social formations. It is indeed difficult to agree with Raj that Namboodiripad's paper "...offers instead what appears to be all too faithfully an apologia behind a facade of self-assurance". An objective reading of Namboodiripad's paper suggests rather that while he is aware of the difficulties faced by socialist countries, he rightly seeks to locate these in the concrete historical context in which the socialist revolutions took place in these countries as well as in the overall global situation as it has been evolving. He also refers to the ideological, political and economic practices of the ruling communist parties in this context. This is certainly not "...an apologia behind a facade of self-assurance". On the contrary, it reflects a correct refusal to abandon the Marxist theoretical standpoint merely because socialist revolutions have not been able to fulfil petit bourgeois socialist dreams. All their problems notwithstanding, the stupendous achievements of socialist countries in the face of both the hostile international environment dominated by imperialism and their own unenviable historical legacies need to be emphatically asserted.

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1. *Social Scientist*, No. 108, May 1982, pp 2-58.

2. Title to part III of *Capital*, Vol III. International Publishers, 1967, p 211.

3. *Ibid*, p 213, Emphasis in original.

4. *Ibid*, p 249.

5. *Ibid*, p 250.

6. Sweezy refers to "a deep crisis in Marxian theory" in the course of a long quote that K N Raj has presented "to indicate how much more seriously the present crises in the socialist world ought to be taken by Marxists." In this quote, Sweezy asserts that except during the Cultural Revolution period in China, none of the "post-revolutionary societies" have attempted to follow a course that would in the long run eliminate classes. It is to be noted that this apparently laudatory reference to the Cultural Revolution is sharply at variance with the assessment of the Chinese Communist Party itself, the party that led the Chinese revolution. It is also to be noted that steps taken in the post-revolutionary period such as collectivisation in the USSR are not seen by Sweezy as steps in the direction of eliminating classes.

7. The table is adapted from B Krotkov, *Soviet Union in the Eighties*, Moscow, 1981, p 27.

DISCUSSION

Once More on the Assam Movement

CERTAIN aspects of the Assam movement seem to have been neglected in the Left political and intellectual circles. Statistics are notoriously vulnerable to empiricist misuse, and this note therefore deliberately refrains from quoting some telling figures. It rather seeks to raise relevant logical questions and suggest appropriate historical perspectives. It is believed that a proper consideration of such questions will help in orienting the Left to problems of Assamese society.

(1) Present-day Assam roughly covers the area ruled by three 'native' races of Assam—the Bodos, the Ahoms, and the Koches. All three of them, especially the ruling houses, were more or less Hinduised, and they consciously identified themselves with historic Kamarupa. They not only fought each other continually, but interacted with each other. They were patrons of a culture that has historically developed into Assamese culture, and under their aegis an Assamese nationality had also developed over the ages. Another powerful unifying factor had been the great medieval Vaishnava movement, which created the institutional framework for assimilating masses of tribal people into the mainstream Assamese society.

But it has remained a 'weak' nationality, because, apart from tea plantations, the society remained largely untouched by forces of modern capitalism down to the 1950's. And plantations notoriously are enterprises of the 'enclave' type, and do not trigger development. The different ethnic groups owing allegiance to the overall Assamese way of life were not welded into a cohesive national group strong enough to be able to withstand outside pressure. There have been cases of defection or dissociation, especially in the recent past. It is also a weak nationality in the sense that it is materially and culturally backward compared to some other national groups in India. Lately it has occurred to the Assamese that they are not even in undisputed possession of the territory which they claim as their own.

Hence there is a sense of insecurity among the Assamese which is deep-rooted. Their fear of being overwhelmed is a powerful factor, and the Left circles will do well to take it seriously.

(2) The fear is compounded by the memory of real peril in the recent past. The colonial authorities had imposed Bengali as the

official language of the province in schools and law courts. The myth of a Bengali conspiracy behind that decision has now been effectively demolished by the unearthing of relevant official documents. But the fact remains that Assamese could be restored only after decades of struggle by the educated Assamese. The colonial authorities had also tagged on large chunks of Bengali-speaking areas to Assam, to the chagrin of both Bengalis and Assamese, and encouraged a vicious valley-politics to keep the two communities at each other's throat. Again, in the early decades of this century the colonial authorities began to encourage mass migration of poor and land-hungry peasants from the eastern districts of Bengal (now in Bangladesh) in tens of thousands. Their idea of course was to have the benefits of agricultural development and intensive use of the land-resources without spending a single farthing. The powerful Assamese landed families kept quiet because it also promised a sizable increase in their income and property. Like the immigrant tea garden labourers these peasants were also treated by the colonial government like cattle. Nor did the landed families come to their rescue. Thus the field was fertile among those distressed peasants for rabid communal propaganda. Meanwhile, the Civil Disobedience movement of the 1930's had floundered, and its growing frustrations strengthened the appeal of communal forces all over the country. This aroused intense nervousness among the indigenous peasantry and the middle-class of Assam. In the 1940's the Muslim League ministry of Assam, aided and abetted by the British government, made a determined bid to increase the proportion of Muslims in Assam through immigration under the camouflage of 'Grow More Food' campaign. Now, even the landed families joined the chorus against the immigrants. Typically, a section of the British officers also appeared in the role of champions of the Assamese, and the Census Commissioner for Assam in 1931 permitted himself flights of envenomed rhetoric at the expense of the 'Mymensinghia encroachers'. The national leadership of the Congress decided to ignore Assamese fears and anxieties in their anxiety to appear secular! The movement against 'Grouping' in Assam before independence was quite strong. Following independence a powerful section of the Calcutta press carried on a senseless but bitter campaign against the acquisition of separate High Court and university by Assam. Such facts have generated a kind of 'siege mentality'.

After independence Assamese chauvinism also grew at a fast pace, with the connivance and under the active patronage of the ruling classes in Delhi and Shillong. Assamese chauvinism tries to get results—the exclusive enjoyment of financial and other benefits of the state government by a small and privileged section of the Assamese Hindus—by playing on those fears and anxieties of the Assamese masses. But it is a mistake to confound those fears with chauvinism.

(3) Having failed to weld a strong Assamese nationality out of

the heterogeneous ethnic groups, especially the late-comers, and that too mainly because it refused to share the fruits of development with them following independence, the Assamese middle-class is seeing everywhere around it signs of incipient revolt. The revolt is likely to take the form of ethnic separatism. Hence it is trying desperately to assert its hegemony by whipping up traditional fears. For a year or so before the movement, the Assamese press had been hysterical with reports of huge influx of Bangladeshis and their assorted crimes. For reasons that merit some investigation, at about the same time a 'sober' and 'cultured' newspaper in Calcutta with a readership in Assam published a series of detailed, 'factual' reports on how the indigenous people of Tripura and Sikkim had been overwhelmed by a flood of outsiders. (One may wonder if such dangers have now been happily eliminated, for such respectable papers now appear no more concerned about the fate of the indigenous people of those two states, but are alternately giggling and snivelling over alleged reports about Napoleon's sex-change in prurient or pious effusion!) The real secret behind such mindless ecstasies was whispered in the elegant drawing-rooms of the well-to-do Assamese families of towns: if the Muslims and other groups team up and reduce the Assamese Hindu legislators to a minority in the Assembly, how will it be possible for the latter to retain the lion's share of the loot from the state? But the explicit propaganda reiterates the time-honoured call: Assam is in danger. There is a more sophisticated slogan for the vain intellectual: Our cultural identity has been threatened.

The Left is quite justified in holding in disdain the managers of this sanguinary farce, but not, I am afraid, in ignoring the sentiments of the Assamese masses. In the competitive capitalist environment of our country the Assamese petit bourgeois sees nothing monstrous in the idea that a race or nation can thrive only at the expense of other races or nations. Even the peasantry, dependent for bare subsistence on land and land alone, is fearful at the rate land seems to have passed into the hands of the 'outsiders'. They cannot be expected to know of the deals that their present leaders had struck over their own heads with the leaders of those outsiders in the not-so-recent past. This kind of perception is given an intoxicating quality by the rhetoric of nationalism. Assam, it is felt deeply and strongly, does not deserve to be dominated by people bearing an alien culture.

The Left can scarcely agree to a programme of massive deportation or disfranchisement. But it is not clear how far it can go in allaying Assamese fears of becoming strangers in their own home. Does it support assimilation? If so, to what extent? Recently a Leftist youth leader from Delhi argued with me that assimilation should be only to the extent of command over the Assamese language for practical purposes and no more. That is a concession that would hardly register with the average Assamese. While assimilation must

not been a subject status for the immigrants, and while the process should be made more humane, it certainly needs to be speeded up with administrative measures. Otherwise the Left will be a party to the silent decision to dissolve Assam and the Assamese. It is not so widely known outside Assam that the various Congress ministries in Assam had fostered in the 30 and more years after independence a certain kind of Muslim separatism. Children of immigrant Muslims in most villages do not attend High Schools, but High Madrassas, staffed by teachers from outside the state and cultivating a separate Islamic identity. Thus under the banner of secularism the Congress has nurtured Muslim exclusiveness in Assam, in order to ensure block votes from that community. Should such divisive policies be allowed to thrive? (This is by no means the same as denying the right of Muslims to study their religious and cultural heritage as part of education). If the Left endorses such policies, it will permanently insulate itself against Assamese sympathies, and push the Assamese into the arms of the secessionist forces. This policy also ensures the return of Congress (I) to power on the basis of combined minority votes. Indeed, certain Congress (I) circles are openly speaking of turning Assam into a federation of small states, each with its own language. That is the last straw for many a patient Assamese.

(4) While the Left is duty-bound to expose and resist the vile Fascist plots to tyrannise or enslave the minorities, and the various undemocratic demands of the movement, it cannot question the legitimacy of the issue that has been raised. Efforts ought to be made to restrict or control immigration. Further, no foreigner has a right to settle in a country without the free consent of the natives of that country. But the apparent detachment of the Left to such issues creates the misleading impression that it is unconcerned about those issues themselves, which for reasons stated above, have agitated the Assamese common people. Since the Left further views the movement as a CIA-inspired campaign confined to a small section of the Assamese, it is led to the verge of support for various draconian measures taken by the government, and the indiscriminate retaliatory violence of the C R P. While in the early stages the Army and the C R P were deployed strictly in order to curb lawlessness, for a year or so now their use has been marked by a political design. It appears that when the movement becomes weaker, and saner opinion tends to gain ground, to the extent of limited if genuine self-criticism in the Assamese press, the C R P is suddenly unleashed on innocent people to dispell that mood and provoke a mood of black anger and irrational hatred among the Assamese. This can hardly be a mere coincidence.

I think it will not do at all to dismiss the entire movement as a secessionist conspiracy. The Left should try to play a mediatory role in all sincerity by going to the people and trying to understand their fears and grievances. Haughty aloofness irritates and alienates.

Even if the efforts to mediate eventually fail, those will at least deliver the Left from its present isolation from the vast majority of the Assamese. These might also have helped to isolate the Fascists among the leadership of the movement.

(5) All acts of violence and sabotage have been branded as 'secessionist' by the government. There is not the slightest doubt that these are monstrous acts of cruelty and outrage. But not all of them are calculated to pave the way for secession. Certain misguided elements in the movement consider them the only answer to the government's repressive measures. These terrorise the minorities and democratic people far more than the government, which remains unshaken. Those groups are actually being treated as hostages by fanatics within the movement. The government's failure to establish rapport with the Assamese people, and its reliance on repression as the most effective method of dealing with the movement is an open secret now. But if the Left indulges in the same kind of mud-slinging it will hardly help to create a bridge of understanding. Of course this is not to advocate indulgence to the culprits.

(6) If *national* forces are in decline in India, as is sometimes asserted in Left circles, what accounts for the breadth and depth of popular participation in various movements organised by the Assamese middle-class around *national* issues like boundaries of the state, the official language policy, and regional underdevelopment (e.g., in the Oil Refinery movement)? Has the Left been able to organise similar mass movements in the state around issues like high prices? Don't we need to learn a lesson from that? Does it necessarily mean a surrender to chauvinism and reaction?

Though this is for the first time that I have spelt out these reservations openly, this does not mean a fundamental shift in my stand, for such criticism has been quite implicit in the articles on Assam I have been writing since 1973. The intention is not so much to discredit the Left, for the Left rendered a yeoman's service to the cause of democracy and secularism in the last three years in Assam, as to plead for an orientation to the concrete realities.

POST-SCRIPT: I do not believe that the present movement can be called a genuine national movement in the Marxist sense. But it certainly derives its strength from unresolved national issues.

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*The Assam Movement and the Left:
A Reply to Hiren Gohain*

DIVERSIONARY movements have always proved slippery ground for intellectuals. The organised intervention of the ruling classes among the masses has a particularly terrifying effect on those intellectuals who are not a part of the organised working class movement. They are often tempted to rationalise their sentiments and eventually in the name of tactics begin to churn out appologies on behalf of the very movements they concede are basically against the interests of the very people embroiled in them.

Hiren Gohain's latest paper "Once More on the Assam Movement" is the case in point. In fact, having read this paper and being acquainted with his previous work, I can only say that it brings home to one the enormous importance of intellectuals being a part of the organised democratic movement as obviously it is becoming increasingly difficult to maintain academic freedom before the onslaught of goons and storm-troopers which Irfan Habib faced recently at Aligarh Muslim University and Gohain had done at Gauhati.

Now to deal with the substantive part of his paper: Gohain would appear to include three major peoples of Assam in his category of 'native races', the Bodos, the Ahoms and the Koches; but ironically enough none of these three is in fact deeply involved in the chauvinist movement.

I have had the occasion to meet the leadership of the All Assam Tribal Students Union (AATSU) when they came to Delhi. They were categorical about their dissociation from the chauvinist movement as were the leaders of the All Assam Minority Students Union (AAMSU). They have in fact opposed the chauvinists organisationally and firmly as the following newspaper report indicates: "The All Assam Tribal Students Union and the All Boro Students Union jointly demonstrated in Gauhati on August 25 last, on the demand of reopening of schools (which the AASU had had closed down). One thousand tribal students, youth and girls, paraded the streets, while the AASU and GSP held a counter-rally a mile away. ... The All Assam Minority Students Union also demanded the opening of the schools."¹ Needless to say, in the face of mounting organised opposition, the chauvinists were forced to withdraw from their boycott and schools reopened.

Not only had the movement failed to win over the tribal population and the minorities, but it failed signally to enthuse the

Ahom peasantry. At the height of the agitation, "On August 22 a big rally was held in Sibsagar on the seven party initiative; this was followed up by a 7000 strong rally in Tinsukia in which 4000 organised workers participated. ... the agitators tried to disrupt the meeting at Dibrugarh and the police arrested a few for throwing chairs and breaking window-panes. The leaders of the seven parties held the meeting despite the provocation".² Recently, in direct confrontation with the 'curfew' call issued by the AASU and AAGSP on August 15, very successful mass meetings were held by DYFI and SFI in Gauhati, Tinsukia, Dumduma, as well as in Kamrup, Cachar, Goalpara, Darrang districts, the majority of which the AASU dared not attack, though they did do so in one place, killing a local DYFI leader.³ While I do not wish to understate the strength of the chauvinist forces, it should be clear to all that they have failed to make an adequate impact on the very sections of people Gohain claims as "natives".

This should surprise Gohain least of all. It was he who clearly pointed out in an article published in 1973, the great gulf between the aspirations of the Assamese peasantry and the middle class. He noted "the lack of middle class interest in a series of peasant rebellions against exorbitant land revenue. ... The new middle class was nowhere near the scene when the peasants took to arms. The sporadic and uncoordinated uprisings were quickly put down. The first Assamese news magazine, *Orunodoi*, launched by the American Baptisi Mission Press in 1846, and quite popular with the new middle class, drew lessons for its audience from these abortive rebellions. It poured scorn on the ignorant and poorly armed 'rabble', underlined their recklessness, and reaffirmed the stupendous might of the British Empire."⁴

On the other hand, the Communist movement from its very infancy had close links with the militant peasantry, whether it was in the Hajong rebellion, or later, the organisation of Kisans as it developed in the Surma valley, which spread by 1942 to the Assam valley proper, or fighting against the Criminal Tribes Act for rent reduction and tenancy rights, or against famine, floods and earthquakes, and most significantly, against communalism.⁵

In fact, over the years, the meagre membership in the Assam valley of 1008 at the Bhakna session of the All India Kisan Sabha in 1942⁶ had grown to 8,718 in 1967-68, 27,300 in 1977-78, 38,000 in 1978-79, 42,000 in 1979-80, 83,554 in 1980-81 and 1,12,701 in 1981-82.⁷ However, I use these figures only to illustrate my argument and to say no more on the strength of the movement than that during the period of the chauvinist agitation the principled politics of the Left have borne fruit, largely because of the courage, sacrifice and organisation of the leaders and activists of the Kisan and other mass organisations. I also feel that figures as illustrations help to give

precision where vague statements may confuse the issue.

Moreover, it is curious that Gohain does not include the Muslim minority in Assam as also native, which they undoubtedly are. In fact, Islam had been introduced to Kamrup in 1205 A. D. by the invasion of Bakhtiar Khilji, a few years previous to the Ahom arrival in 1228 A. D. The guide of the first invasion was himself an Assamese convert, Ali Mech. A colony of Muslims has existed in Hajo from 1498 A. D. The same holds largely for Muslim populations in Goalpara, Darrang and Nowgong.⁸ This does not mean immigrants have not been coming in, but it should be noted that the vast majority of Assamese Muslims, whatever their date of origin, are being assimilated into Assamese society.

Still, Gohain states: "Children of immigrant Muslims in most villages do not attend High Schools, but High Madrassas, staffed by teachers from outside the state and cultivating a separate Islamic identity." This is factually incorrect. It is true that the chauvinist movement has given a fillip to Islamic fundamentalism, but the interesting thing is that the US agencies are financing both, directly and indirectly. On the other hand, no one who knows anything of the composite culture of Assam can seriously claim that the "Islamic identity" is not a part of it.

Similarly the Bengali question. It is often overlooked that areas like Goalpara and Cachar were originally parts of British Bengal and were tagged on to Assam in the late nineteenth century. Moreover, the Bengalis and the Assamese both share the common tradition of the Bhakti movement which is the basis of the self-expression of so many Indian linguistic nationalities and which often makes it very difficult to draw hard and fast lines of demarcation arbitrarily unless of course the task is taken up by interested agencies for definite political ends.

The report of an Assamese journalist, Nirupama Borgohain, who later had to suffer at the hands of the chauvinists, is illuminating in this respect. She visited the refugee camps at Nalbari, Mukalmau, Naherbari and Rangafali, which housed thousands of Assamese of Bengali origin, both Hindu and Muslim. She noted that "they had integrated with the Assamese people to the extent that many of them changed their names, as, for instance, the Bengali 'Biswas' to the Assamese 'Baishya'. There was no evidence even of a single Bengali school in the area."⁹ In fact, the dangerous aspect of the chauvinist agitation lies precisely in weakening this assimilationist trend, and, as a consequence, the Assamese nationality.

The census figures, too, support this view. They show no dilution of the Assamese nationality. On the contrary, it is expanding. In 1931, Assamese speakers were 31.42 per cent of the population. In 1951 the figure rose to 56.69 per cent. By 1971 they registered 60.89 per cent. Bengali speakers, on the other hand,

were 26.79 per cent in 1931 and they had declined to 19.71 per cent in 1971. Others too declined from 42.2 per cent in 1931 to 19.90 per cent in 1971.¹⁰ Thus it is obvious that the plea that there is any "real threat" to the Assamese nationality, or that it will be swamped by outsiders, as has happened in Tripura, is unfounded. Such fears, far from being real, fail to distinguish the limited integrative capacity of a tribal society from that of one which has developed the full gamut of classes. In fact, the very Left that is the main target of attack of the chauvinists has also been the force that gave Autonomous District Councils to the tribal people of Tripura and has given recognition both to Nepali and Santhali in West Bengal. But if it were to apply the same protective standards to the far better developed Assamese society, then it would be hampering the latter's capacity to strive to modernise and develop itself beyond the control of clerical elements.

Also, it is curious that in the face of overwhelming evidence to the contrary, Gohain should deny the involvement of US agencies in the chauvinist movement and pass off the coordinated efforts of the chauvinists with not only Baptist-inspired revolts in the North-East but also with the RSS, as the work of "misguided elements". He is surely aware that the USIS circulated a document entitled, "Project Brahmaputra" on June 12, 1979, where it is stated that "with the agreement of the State Department, the Special Operation Research Office of George Washington University has asked the US outfit (read: CIA) in India for help in conducting sociological research in the Eastern States of India, including Sikkim as well as Bhutan, whose 'aim is to throw light on public opinion in these regions to establish in what measure the present status of these States remains acceptable or whether there are indications that *the formation of a new State is a current problem*. ...Our organisation has already carried out this type of work in a number of countries with satisfactory results, particularly in helping us to evaluate the political situation and to *choose the best ways and means for our own influence there*' (Emphasis in original). Moreover, the clandestine nature of such operations is stressed as US Agents sometimes create the impression on the local population that we have been caught with our pants down."¹¹ Apart from this, the former Chairman of PLP and leader of AAGSP, Nibaran Bora, has himself charged the present leaders of the PLP with having CIA links.¹² Also, senior US Embassy officials have frequently visited the area and 'scholars' like Myron Wiener and Lee Rose¹³ have been at pains to show that the unity of India is indefensible, so as to channel the chauvinist forces along the path of secession. The US support being given to Jagjit Singh Chauhan, the Khalistan leader, to the Christian tribal movements as well as to Hindu and Muslim communalists, clearly shows what attitude belligerent imperialism has to such movements, even if it does not

actually start them.

The Left, therefore, cannot be naive as individual scholars can be. This particular agitation, led by landed, bureaucratic and clerical elements has made 20,000 people homeless and taken hundreds of lives, many of whom were the finest elements of Assamese society who firmly stood for anti-imperialism, national integration and a genuinely democratic society.

Nor can Gohain have doubts as to the character of the class leading this agitation. As long back as 1973 he pointed out how the Assamese middle class "...is of comparatively recent origin...betrays the connections between the strength of traditional culture and the weakness of productive forces it commands (and how) it has developed chauvinist tendencies that continually deflect its legitimate aspirations".¹⁴ Now he asks us to come to terms with precisely such a movement.

The Assamese middle class, like all such classes in ex-colonial countries, is an opportunist, flabby class, who "ultimately limited their opposition to the British by their vested interest in landed property...and in jobs made available by the administration".¹⁵ And this predominantly compromising trend in Assamese nationalism uses distinctiveness as Assamese as its main weapon to strike a better bargain for itself at the cost of Assamese masses and of the labouring people of Assam.

But it would be incorrect to see only compromise as the sole expression of Assamese nationalism. For while Anand Ram Dheikal Phukan, himself the descendant of a South Indian *sanyasi*, the doyen of the 'distinctive' tendency, supported the British in 1857, Dewan Mani Ram, representing the trend of broad all-India opposition to imperialism, opposed them. In fact, Gohain notes this and says how Mani Ram "was too independent and spirited to pull on as an underling with other British officers, and he started his own (tea) garden. To the amazement of the British, Mani Ram's garden was successful while their venture flopped. Then suddenly the revenue assessment on his estate was increased manifold and he was deprived of a few lucrative *mauzas*...at a stroke. This naturally earned Mani Ram's undying hatred. In 1857 he was found plotting the overthrow of the British in collusion with a prince of the former ruling house and was executed."¹⁶

True, this trend lacked the cohesion that the development of a strong worker and peasant movement would have given it, but it surfaced again during the non-cooperation movement in 1920. Gohain describes it as follows: "The political conference of the middle class leaders held in Sibsagar in 1919 still harped on jobs for local boys, extension of facilities for education, development of the language, and so forth. *Within one year the mood changed drastically.* The politics of the mass movement and agitation was openly embraced in the

meeting of the Assamese Association held next year at Tezpur. The Assam unit of All India Congress was soon after formed and non-cooperation spread like wild fire among the people."¹⁷ In fact, this sudden *volte face* of the middle class was accomplished only through pressure from below, especially from the peasantry. Even the British observed this, for on February 9, 1922, the Viceroy telegraphed London: "The lower class in the town have been seriously affected by the non-cooperation movement. ... In certain areas the peasantry have been affected, particularly in parts of the Assam Valley, United Provinces, Bihar, Orissa and Bengal."¹⁸ In 1942, during the Quit India movement too, we see a similar phenomenon. This brought with it a major gain for the Assamese middle class: Gauhati University¹⁹.

Historically the most successful achievements of the Assamese middle class have been those when it has allowed itself to be swept into the maelstrom of united all-India anti-imperialist movements whose main participants were the peasantry and the urban workers, traders and petty producers. Only this mass involvement gave it the courage to confront imperialism or voice the genuine interests of the Assamese linguistic nationality. Recognising this reality and seeing that the separation espoused by the middle class is a reflection of the problems of uneven development and the pursuit of the bankrupt path of capitalism by the Indian ruling class after 1947, the Left has come out to face the onslaught of separatist and secessionist tendencies which weaken the process of integration of the Assamese nationality, and to firmly build class and mass movements on basic economic demands, relief to the toiling masses, democratic rights and civil liberties. The importance of such a united resistance is essential to a Marxist understanding of social transformation in India. Confronted with the revolt of 1857, Marx noted how "the antagonism of the various races, tribes, castes, creeds and sovereignties the aggregate of which forms the geographical unity of what is called India, continued to be vital principle of British supremacy", but one which could not survive in the face of the necessary economic and political integration through the railway, the civil administration and the Indian army which had also succeeded in organising "the first general centre of resistance which the Indian people was ever possessed of."²⁰ This gave all-India struggles a new scope and meaning which cannot be ignored.

Lenin too, in dealing with the national question, has made it perfectly clear that "the development of nationality in general is the principle of bourgeois nationalism; hence the exclusiveness of bourgeois nationalism, hence the endless national bickering. The proletariat, however, far from undertaking to uphold the national development of every nation, on the contrary, warns the masses against such illusions, stands for the fullest freedom of capitalist intercourse and welcomes every kind of assimilation of nations, except

that which is founded on force or privilege.”²¹

This, fundamentally, is the *strategic position* of the Left, a position I had the occasion to discuss at length with Gohain, when we met in Gauhati in March this year and which he has referred to in his note. I do not think that either Gohain or any other person conversant with Leftist thought can find fault with this position strategically in the context of the political developments in the world and in our region today.

Far from ignoring the fact that a basis exists for diverting the Assamese people from fighting for their rights, the Left has categorically called for the withdrawal of repressive measures as well as of the agitation, and has demanded that the “Centre announce firm measures to stop all further immigration across the border” and that “an impartial machinery having the confidence of the minorities should be set up to detect foreigners”.²² Such an approach goes a long way towards achieving a consensus between the different trends of thinking as regards the “anti-foreigners” movement.

On the other hand, the demand for the cut-off date as 1951 or 1961 clearly means that any settlement arrived at would be outside the scope of the Indian Constitution. For under the Citizenship Act of 1950 any child born in India is an Indian citizen unless its parents are desirous of its remaining a foreign national. Moreover, anyone is entitled to Indian citizenship after 10 years’ residence. Also, there is at least one judgement of the Assam High Court which states that the National Register of Citizens of 1951 has no evidentiary value. Thus it would appear that the raising of the issue as it has been done by AASU and AAGSP is merely an attempt to get a settlement outside the law of the land and, as such, a feather in the cap of secessionist elements.

Moreover, we have seen in Lebanon, how, using the bogey of Palestinian “foreigners”, imperialism drove a wedge between Christian and Muslim Arabs, eventually leading to a gross violation of Lebanese sovereignty by the invading Israelis. We must learn a lesson from the Lebanese experience. We must not underestimate the strength of the secessionist forces while at the same time making no concession to them.

The main task is to intensify the drive against imperialism of which the peace movement is a part, and militantly face the onslaught that the secessionist forces are bound to unleash against the democratic movement. At the same time, we must win over the vast sections of the working people and the peasantry, especially the Tribal minorities and expose the conspiracies that U S imperialism is hatching against them. But in order to do that we must be prepared to lead them in the struggle for their basic demands and show them through their experience that today the bourgeois-landlord classes at the helm of affairs can neither provide them with their basic requirements nor

defend the country from imperialist intervention. Only a massive advance of the workers' and peasants' movement can do so effectively. It is to that task that we must apply ourselves and not disrupt that unity for the sake of immediate relief from the attack we are facing.

In fact, I would like to conclude with Gohain's own appeal of 1973, where he said "revolutionary parties must exert their pressure by spreading Marxist ideas and building up cadres in the teeth of raging reactionary conspiracy to lure away the youth of this region".²³ Only then will a section of this middle class come closer to us.

SUNEET CHOPRA*

- 1 *People's Democracy*, September 7, 1980.
- 2 *Ibid*.
- 3 *People's Democracy*, September 5, 1982.
- 4 Hiren Gohain, "Origins of the Assamese Middle Class", *Social Scientist*, Vol 2 No 1, 1973, p 17.
- 5 M A Rasul, *A History of the All India Kisan Sabha*, pp 22, 26, 110, 154.
- 6 *Ibid*, p 98.
- 7 Information received from P K Tandon, AIKS Office, New Delhi.
- 8 M Kar, "Muslim Immigration to Assam", *Social Scientist*, Vol 8 No 7, pp 67-68.
- 9 P Ramamurti, *Real Face of the Assam Agitation*, 1980, p 19.
- 10 *Ibid*, pp 21-22.
- 11 *Ibid*, p 9.
- 12 *Hindustan Times*, September 30, 1982.
- 13 Ramamurti, *op cit*, p 10.
- 14 Gohain, *op cit*, p 11.
- 15 *Ibid*, p 17.
- 16 *Ibid*, p 15.
- 17 *Ibid*, p 24.
- 18 Rajani Palme Dutt, *India Today*, 1970, p 350.
- 19 Gohain, *op cit*, p 20.
- 20 Karl Marx, "The Revolt in the Indian Army, June 30, 1857", in *The First Indian War for Independence 1857*, 1978, p 35.
- 21 V I Lenin, "Critical Remarks on the National Question", in *Selections on National Colonial Question*, 1970, p 9.
- 22 Ramamurti, *op cit*, p 29.
- 23 Gohain, *op cit*, p 13.

*Treasurer, Democratic Youth Federation of India.

BOOK REVIEW

RELEVANCE IN SOCIAL SCIENCE RESEARCH: A COLLOQUIUM, Institute of Economic Growth and Vikas, Rs. 125.

THIS VOLUME puts together the papers presented, and reports of the discussions that took place, at a seminar held in the nation's capital under the auspices of the Institute of Economic Growth. In his foreward to the volume, P C Joshi, Director of the Institute, mentions that the seminar "was attended by a number of distinguished social scientists from different parts of the country". Sixty-four participants, a quick count indicates, attended the seminar. Of these, as many as 54 were from Delhi itself. Only 10 were from other towns and cities, and even they are well known for their close links with institutions and establishments in the nation's capital. Contrary to Joshi's claim, the seminar was therefore an occasion where only those who have arrived talked to those who have arrived, a terribly inbred affair altogether.

What did they talk about, what did they discuss? Of those who attended, economists formed the largest number; that perhaps faithfully reflects the pattern of population distribution amongst social scientists in the country, and need not be cavilled at. What poses a more important issue is the relevance of what they discussed while supposedly discussing relevance in social science research. The papers and the discussions were split into six parts: (1) General issues: concepts, method and practices; (2) Agriculture; (3) Population; (4) Trade; (5) Industry; and (6) Interaction between research and policy. Since the participants included some of the nation's most outstanding academicians and scholars, what they discussed were, within their contours, weighty and full of substance. But weightiness has little to do with relevance. Relevance cannot be dissociated from one's system of values either. In their own manner, the assembled academicians linked the relevance of their research to Government policy-making, 'benefits to the community', or, even more esoterically, 'the stock of knowledge'. Rivers of erudition flowed on the revealed aspects of preferred relevance in each case. There was however one glaring lacuna.

How much concern did the assembled social scientists express on the major issues which ought to confront social science research, issues which convulse the base of society, issues which are germane to the structure of the polity and the economy? True, P C Joshi, in his paper, makes an elliptical reference to class factors, and Raj Krishna,

while summarising areas of possible research, refers to the issue of distributive justice. That is about all; and in any event, Raj Krishna's general position seems to be that class and social factors have nothing to do with distributive justice! By and large, the discussions proceed as if social science research can be divested from social realities, the reality of class conflicts, the reality of exploitation, the reality of inequalities in the distribution of incomes and assets, the reality of last-ditch efforts on the part of vested interests, including the Government, to prevent land reforms. Going by the proceedings of the seminar, social sciences are an abstract category, and the constituents of society are mere grists to the scholastic mill, providing the inert data for social scientists to analyse in a milieu of clinical detachment. As one wades through the volume, one suddenly becomes aware why the proponents of classical political economy defined a category of academic activity as vulgar economics, a craft that alienates economic science from the social base, from the people who constitute the social base, from the problems the people are confronted with in their day-to-day struggle for existence.

This group of social scientists, who should not take offence if they are described as pillars of the social science establishment, are determined not to stray from the straight and narrow path. To pick a random example, in none of the references to price, investment, monetary or fiscal policies is the thought allowed to cast its shadow that such policies might be occasionally affected by class bias. In the discussion on trade and industrialisation, not one mention is to be found of the policies of the World Bank and the International Monetary Fund or of the multinational corporations. Where basic issues cannot be altogether avoided, such as the relationship between technology and employment, whether in industry or agriculture, the discussion is tangential, so that, hopefully, nobody would even begin to suspect that this relationship is organically linked to the problem of the economic structure.

It is impossible to resist the temptation of formulating a material interpretation of the biases in social science research as revealed in the volume. A problem that arises—perhaps the most important problem—is that where funding of social science research is not done by American foundations, one is left to depend upon the munificence of officially sponsored agencies such as the Indian Council of Social Science Research. The assembled galaxy, represented in the volume, would not, one suspects, hurt a fly. They would not, in particular, hurt an establishment fly. How could they do anything which might jeopardise funds for research? The policy of playing safe is the best; drawing attention to inconvenient facts, or conducting research and analysis on issues which end up with ruling groups being shown in an unfavourable light, is accordingly to be discouraged. Once this preamble sinks in, your judgement and your discussions, your language

and even your mode of thought tend to move along a cautious groove. You pick abstract themes, distant themes, roundabout themes. Just as you collect people who will be 'safe' in their discussions and will not go astray, you similarly collect data, and suggest themes of research, guaranteed to be safe.

At just one place, during the final session of the seminar, where C T Kurien's paper was discussed, the ticklish question of class alignments threatened to intrude, with K N Raj providing the impression that he was about to recognise the role of classes as a social category. But the situation was saved, and the discussion rambled along towards the direction of migration, inheritance, farm-size productivity, draught animals, etc.

It is little use putting the blame for this state of affairs on the Government or on the ruling politicians. They expect—and extract—conformist behaviour from academic *personae* only because the latter themselves are eager and anxious to behave in the manner of conformists. It is unfortunate, but true, that, in our country, developments in the course of 35 years since Independence have been such that social scientists of eminence, with a few honourable exceptions, have surrendered their capacity for independent judgement at the altar of the Establishment. As an inevitable corollary, research has tended to be identified with non-controversial research. Had this tradition not been established, social scientists could then have accepted Government funding and yet retained their independence to state and do what they felt like. Had the ruling politicians discovered early enough to their cost that social scientists cannot be imposed upon, they would not perhaps have attempted to do so. It would then have been altogether conceivable for social scientists to accept public funds and yet carry on research which lays bare the social realities as they are; selectivity would have received the short shrift.

Even while recognising that issues concerning the structure form an important aspect of social science research, one or two social scientists participating in the seminar felt it necessary to justify their position in terms of what this or that eminent foreigner has averred. It is as if these scholars are informing their colleagues and the Government that they should not be, please, misunderstood, they must not be accused of independent thinking, they are mentioning one or two unpalatable, 'not done' research themes only because famous foreigners have already certified the harmlessness of such subjects. This is neo-colonialism, vengefully active, and could itself constitute an important subject of research. And the assembled social scientists, groping for relevant research, could perhaps have paused for a minute and pondered over the significance of the reality that the seminar they were attending, in their own country, in the city which constitutes the seat of the national government, was being hosted by the Rockefeller Foundation!

Luckily for the nation, the 64 social scientists assembled at the seminar do not represent the universe of social science research in the country. Non-famous names, non-discript names are engaged in important and basic research; they belong not just to the nation's capital, but are dispersed all over; they work outside the beaten track; they carry on research on issues of genuine social relevance, such as the structure of property relations, the class bias of fiscal and monetary policies, the role of the big monopoly houses and multinational corporations, the role of international financial institutions, the impact of the political structure on the economic process, how caste breaks into class in the villages in the nation's heartland; they keep doing important work on aspects of income distribution and its relevance for production as well as for the structure of landowning and landlessness. Those involved in such research are often denied funds and facilities; they carry on nonetheless, and sometimes have the opportunity to publish in such journals as the *Economic and Political Weekly*. Notwithstanding the volume under review, relevance in social science research thus remains an open-ended issue.

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BOOKS/SERIALS RECEIVED FROM ABROAD

<i>Contemporary Marxism</i> No. 3 - Revolution and Intervention in Central America	dollar 6.50
TUOK, B (ed.) - Revolutionary Thought in the 20th Century (Zed Press)	Pound 6.43
<i>Cineaste</i> : America's leading magazine on the Art and Politics of the Cinema. Vol. 11 (No. 4) and 12 (No. 1) each	dollar 2.25

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This is Tripura in 1982

- ★ Planning and implementation of schemes now rest with the democratic institutions at the grass root level like the Block Panchayat Samities and Gaon Panchayats.
- ★ With land-revenue exempted and protection of law for the establishment of share-cropper's right pronounced, small farmers find a new hope of building their lot.
- ★ With the Autonomous District Council set up, their mother tongue having been recognised as the second language of the state, the quota in the government service having been properly protected, the tribesmen of Tripura have now restored their honourable position in the society.
- ★ With an enhanced rate of wages already enforced, various welfare measures adopted, and minimum amenities of life assured, the labouring force in the state have proved themselves more active than ever before.
- ★ With the introduction of free education upto class XII, mid-day meal for the primary students, enhancement of the rate of stipends and other facilities, the students' roll in educational institutions have gone remarkably high.
- ★ The Left Front Government in Tripura stands committed to strive for a united, democratic and self-reliant society free from all exploitations.

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Editorial Note

THERE is a widely held view that in advanced capitalist countries financial and industrial interests are at variance and that the adoption of Keynesian measures, with their accent on cheap money and low interest rates for maintaining a high level of activity and employment, marked a triumph of industrial over financial interests. Moreover, since the working class benefits from high employment, Keynesianism, according to this view, represents a convergence of workers' interests with those of industrial capitalists. It is the financial or the rentier interests alone that are supposed to be the villains of the piece. They alone have a stake in monetarist policies whose theoretical basis is entirely dubious and which only serve the narrow sectional interests of 'high finance' at the expense of recession and mass unemployment. A corollary of this view is that as long as financial interests do not once again gain ascendancy, a capitalist economy can remain close to full employment through the adoption of Keynesian measures which do not *intrinsically* give rise to any crisis. An inflationary crisis, for instance, may arise in a Keynesian regime, but it has nothing to do with the Keynesian measures themselves. Hence it warrants not an abandonment of such measures but an additional onslaught through, for instance, an incomes policy, which the enlightened self-interest of the workers as well as of the industrial capitalists would ultimately induce them to accept. Thus Keynesian measures, suitably supplemented by an incomes policy, which is thought to be by no means unfeasible, are capable of producing a crisis-free capitalism.

Amal Sanyal's lead article in this number addresses itself to a critique of this particular view, which, he argues, is consistent neither with the reality of capitalism nor with the content of the

writings of Keynes himself, who was much more alive to this reality. What Keynes advocated, and what Keynesian measures achieved, is a 'controlled inflation' as an instrument for squeezing real wages and boosting profitability with the object of inducing capitalists to maintain a high level of activity. Keynesian measures represented not so much an onslaught on financial interests, which under monopoly capitalism in any case 'coalesce' with industrial interests as Lenin had pointed out, as an indirect onslaught on the workers' real wages. Once the workers begin to resist this, 'controlled inflation' becomes uncontrolled inflation and finance capital switches to monetarism with the aim of recreating a massive reserve army to beat down the workers' resistance. Thus the crisis is an organic outgrowth of the pursuit of Keynesian measures, and monetarism can at best alleviate only one component of it, inflation, by sharply accentuating another component, unemployment. In the ultimate analysis both Keynesianism and monetarism prove to be utterly bankrupt in ridding capitalism of crisis. Sanyal's theme is an extremely important one and we would welcome a discussion of this theme in the pages of this journal.

Monetarism constitutes of course an important component of the package of so-called 'liberalisation' measures dictated by the IMF to the borrowing countries of the Third World. The disastrous economic consequences of adopting this package are detailed in B Uday Shankar's piece on the Indian economy. A serious recession is engulfing the economy while inflation continues unabated, and subsidies, which provide some cushion to the people, are being cut. Yet the balance of payments crisis, which this package is primarily aimed at curbing, is getting sharply accentuated precisely because of it. At the same time to sustain this 'liberal' onslaught on the people and to break down their resistance, a number of authoritarian measures are being enacted, of which the two recent bills—the Bihar Press Bill and the Hospitals and Other Institutions Bill—discussed in two separate notes in this number, constitute but two glaring examples. Economic 'liberalism', whether or not it promotes exports or growth, is necessarily accompanied by political authoritarianism. Princy Dharmaratne's note looking at some other so-called 'liberalised' economies should be quite instructive in this context.

Sudatta Sikdār's piece provides an account both of the transformation of the economy of the Arunachal tribes under the impact of colonialism as well as of the complex play of motives underlying the activities of the colonial government.

Finally, this number carries an important communication. E M S Namboodiripad dwells on the complex question of the link between capitalism and the formation of nationalities. The communication raises basic theoretical points which need to be discussed and debated. We hope this would stimulate discussion.

*On the Economic Role of the State under
State Monopoly Capitalism*

IN the present century, the economic role of the State is a matter taken for granted. What is debated now is not if the State should or should not intervene, a debate considered rather archaic now, but which form the intervention ought to take. Yet this state of affairs has not been a characteristic of all stages of capitalism but has rapidly developed during the present century. To be sure, economic institutions sponsored by the State, and economic intervention at times have figured in the earlier phase of capitalism as well; it is also well-known now that even during the phase of the so-called *laissez faire*, there were distinctly identifiable policies of the State's participation in and guidance of economic activities, particularly in relation to foreign trade and the colonies. However, there appears to have taken place, in this respect, a qualitative change during the present century. State participation can no longer be called intervention, but it is of the order of a ceaseless monitoring of the entire gamut of economic activities encompassing both production and distribution.

In a very fundamental sense the State has always had an economic role. The State represents a coercive apparatus for suppressing irreconcilable class contradictions in the society—contradictions that arise in the sphere of production through the separation between the producer and the means to produce with. The very presence of the State is thus necessitated by a characteristic of the sphere of production and thus in a very basic sense the role it has to perform has an economic character. However, this role has not always been sought to be performed by elements of the State apparatus that directly and visibly have an economic character. Political and ideological elements of the superstructure in times of peace and the military elements at more disturbed times have performed this task. In the national economic sphere State intervention in economic matters used to be precipitated by periodic crises that the capitalist system gives rise to; and such economic measures used to include temporary regulation of credit, money and commerce and some tax and revenue measures.

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By the time of the outbreak of the imperialist war of 1914, the contradictions within the nation States had grown to such enormous proportions that the existing set of State institutions and the normal pattern of utilising them were unequal to the task of containing and suppressing the former. The war not only brought a temporary relief to the capitalist States but taught their ruling classes a very important lesson. They had experienced during the war how large-scale State demand and State control of money, credit, commerce and trade had managed to suppress the tensions within the nation States. At the end of the war, when the capitalist States realised the prospect of facing the same pre-war problems increased many-fold, the lessons of the war proved most educative and useful. The institutions of the ruling classes develop through periods of trials and errors—rejecting the unsuited ones and retaining the useful. Thus while the war went, the institutions remained. In fact, in spite of all the nostalgia of many sections of the ruling classes, none of the capitalist countries came back anywhere near the pre-war level of government expenditure and freedom of trade, commerce and credit from government regulations. In most countries, notably in Britain among them, just as the war-time practice of a smaller inner Cabinet continued in the post-war period, so also did the war-time economic practices. Lloyd George had promised his electors of Wolverhampton in November 1918, that slums should be swept away, agriculture revitalised, the people brought back to the land and that “inhuman conditions and wretchedness must surrender like the German fleet”.¹ The experience of handling things in war proved so congenial that even in the rhetorics of the statesmen the war lived.

The fact of the matter was that capitalism had entered a state of permanent crisis—an observable counterpart of this permanent crisis being the necessity of major innovations in the manner of functioning of the system. Maintaining the system of capitalist nation States and their imperialist world order became impossible within the existing superstructure erected on the basis of a more progressive and less moribund capitalism. The development of capitalism into monopoly capitalism itself was the outcome of the series of crises through which capitalism had earlier passed. With the onset of the permanent crisis, there came the other development, a most significant one in our time—that of the development into State monopoly capitalism. It is best in this context to quote Lenin’s brief description:

World capitalism, which in the sixties and the seventies of the last century was an advanced and progressive force of free competition, and which at the beginning of the twentieth century grew into monopoly capitalism, i.e., imperialism, took a big step forward during the war, not only towards greater concentration of finance capital, but also towards transformation into State capitalism.²

Permanent crisis called for a 'permanent intervention'. State monopoly capital grew out of this objective necessity of preserving the system. On its outer appearance it projected a fusion of the large monopoly and bank capital together with the upper strata of the State bureaucracy, and the 'abler' statesmen and thus of a far more organised and stronger State. Its inner foundations were laid on the far weaker soil of a moribund capitalism ridden with permanent crisis. The transformation into State monopoly capital brought in the opportunities of manipulating the spendings, money, credit, commerce and trade and even particular prices and allocations etc., thus enabling the State to act upon the rate of exploitation in a surer but more round-about way. To give just one from a myriad of examples, the rate of exploitation could now be increased not through either a more peaceful wage bargaining or a more violent wage enforcement, but by increasing the price level through the State's monetary and fiscal apparatus.

Bourgeois Conception of the Breakdown of Laissez Faire

An understanding of the nature of State monopoly capital is important for analysing most of the major economic developments of the present century. It is of particular importance also for rejecting the romantic but influential views about the economic role of the governments in the present century, like the notion of the Welfare State or the convergence thesis, etc. The key factor in understanding State monopoly capital is to recall that it arose out of necessity and not by choice. The necessity of preserving the exploitative basis of the capitalist system in the era of permanent crisis, transformed capitalism into State monopoly capitalism. By contrast, all bourgeois and petty-bourgeois theories about economic functioning of the governments assume that the changes have occurred through deliberate choice. Such theories are but extensions of their romantic and mystifying view that the policies of a government under a parliamentary democracy are what they are because they have been so chosen by representatives of different sections of the population. It is possible to reject the theories of Welfare State on sheer empirical grounds by showing that the policies severally and jointly lead to relative immiserisation of the working class rather than its betterment. Such demonstration, though important, is both tedious and deals with the surface phenomena of the problematic. The pedantic nature of the theories of Welfare State is best understood when we examine the unhistorical way they look at the State itself. An offshoot of the Welfare State theories is the equally romantic idea that the capitalist system is transforming itself through institutionalisation of welfare considerations to a socialist system. We have seen a plethora of economic institutions in the era of State monopoly capital; but since their very purpose is to preserve the capitalist system and prevent a

socialist order, it is but middle-class wish-fulfilment to imagine that such institutions are leading to a socialist formation.

At the level of economic theory, some of these misleading doctrines are related to the bourgeois perception of the cause of the breakdown of *laissez faire*. The rise of State monopoly capitalism quite naturally has failed to register itself as a phenomenon on the consciousness of the bourgeois economists, who do not have a scientific idea of the nature of State under capitalism. On the other hand the breakdown of *laissez faire* and the rise of State activities in the economic sphere as empirically observable phenomena have impressed them. In its search for an explanation for this breakdown, bourgeois economics has by and large produced the explanation that the convincing discovery that a persistent underemployment equilibrium is possible under capitalism had led to the final breakdown of the *laissez faire*. It is not a long step from here to persuade that the capitalist State in its capacity of a conscientious guardian of the interests of its constituents chose to give up *laissez faire*, and develop a norm of functioning that benefits all.

As we have already outlined above, the breakdown of *laissez faire* is just a symptom of the rise of State monopoly capitalism, and that this latter dates to a time long back before the Keynesian 'discovery' of the possibility of underemployment equilibrium. Since the imperialist war of 1914, large-scale State demand and control of money, credit, commerce and trade have remained as unmistakable features of the capitalist States, even though the bourgeois economists have tended to look upon them as exceptions and aberrations until a colleague in their own profession convinced them of their necessity. To absolve Keynes of the opprobrious title of an innovator for monopoly capital, Joan Robinson puts this point succinctly:

There is a kind of simple-minded Marxist who has a great resentment against Keynes because he is held responsible for saving capitalism from destroying itself in another great slump. ...It implies that capitalists are so stupid that they would fail to learn from their experiences during the war that Government outlay maintains profits, unless they had Keynes to point it out to them.³

Indeed, as we have suggested earlier, the rise of State monopoly capital pre-dates the so-called Keynesian revolution. Incidentally, Joan Robinson's argument, while it puts the simple-minded Marxist in his place, also at the same time demotes Keynes from the position of an innovator in economic thought to one who summarises and theorises a lesson already learnt by the monopoly bourgeoisie two decades ago and gives it an intellectual appeal—a position which in a less simple-minded Marxist's vocabulary would be called one of an apologist for monopoly capital.

Finally, there is another strand of petty-bourgeois thought, which suggests that the rise and triumph of Keynesian policies reflected a triumph, albeit temporary, of more progressive industrial capital over finance. It is important to examine this argument seriously, firstly because it has a deceptive look of a historical argument and secondly because variants of this thought have often been used in procuring support for the fiscalist policies of States from the ranks of trade unions and social democrats. First of all, we should note that this strand of thought talks exclusively about Keynesian policies and not of the government's monitoring of economic activities in general. Presumably, this argument can be elaborated to state that even though the nation States have been following economic policies embracing all walks of life since the imperialist war of 1914, such policies had been representing the interests of a small clique, the so-called finance. The period between the *General Theory* and the Bretton Woods represented a battle between such cliques in the nation States with the more progressive industrial capital, in which the latter triumphed. The rise of the *General Theory* into the position of the official handbook of State bureaucrats therefore represents a virtual *coup d'etat* in the capitalist countries.

Firstly it is not very clear what the financial cliques referred to in this argument actually stand for in reality. Since the last part of the last century, the gradual fusion of large bank capital and large industrial capital within the nation States had created a situation by the first decade of this century or at the outbreak of the war in 1914, where large bank interests were indistinguishable from large industrial interests. There is no doubt that in its perpetual drive for higher profits and therefore higher concentration, this fusion, 'finance capital' as it has been called in Marxist literature, was oppressive towards not only the working class but also towards smaller industrial capital. If the argument above suggests that this stratum of small capitalists, numerous but insignificant as they were, staged a coup against the ruling finance capital during the days of the imperialist war of 1939, and had been ruling the world till recently (perhaps until the recent Monetarist policy phase?), it does not appear very convincing. The entire period of the domination of Keynesian policies also has been the period of the rise of multinationals and the period of concentration of capital in a scale unimaginable during the pre-Keynesian days of the present century.⁴

The argument seems to be heavily based on some specific experiences in the U K. In the U K, Keynes and the supporters of his views had to fight against the existing views of the Treasury and the City. It is easily arguable that a large part of this fight was influenced by the historical and cultural substratum of the British society shaping the views of the Treasury and the City, rather than anything else. The experience in other European countries and the

U S A has been very different. An example that will really clinch the issue is of Fascist Germany, where even a few years before the *General Theory* appeared, a standard joke was that Hitler was trying to create employment by painting the Black Forest white, straightening the Crooked Lake and fixing linoleum on the Polish Corridor.

State Monopoly Capital and Rise of Keynesian Policies

In the present century, capitalist States have been ruled by large industrial and bank capital fused with the State, and there is no single evidence of the strata of the historically insignificant small capital staging a coup against the former to form a government. Therefore explaining Keynesian policies and its ascendancy in terms of such a fantasy is mere romanticism. But the task remains to explain the ascendancy of Keynesianism in the era of State monopoly capital, to explain how it serves State-monopoly capitalist interests in the era of the permanent crisis.

It is well-known that under capitalism, less value is paid to workers than is added by them, and thus there is a constant threat of a realisation crisis, of the capitalists being unable to sell the products currently produced. Capitalists have to constantly buy, either for consumption or for investment, goods worth the difference between the value added by and paid to the workers. Because of the anarchic nature of the system, the lack of coordination between the capitalists, there is no guarantee that indeed this difference will be realised; and the system perpetually waits at the brink of a crisis. As capital accumulates and the system matures, the said gap widens and a crisis, when precipitated, tends to be both more severe and longer in duration. One plank of Keynesian policies was to suggest a way of delinking the effective demand of an economy from the income of its people. The State, it was suggested, can go ahead creating demand for goods, thus aborting a possible crisis of realisation.

However in a strict sense, the suggestions of the *General Theory* talk of something more than a realisation problem. As the State expands its demand, in the *General Theory* model, it does not just create demand for existing output, but also expands output at the same time. The implication of this has not been often emphasised. The principle of effective demand and successful operation of it is more ambitious than just realising a certain amount of capital already put into circulation, i. e., just providing enough demand for already produced output. In the *General Theory* story of the adjustment of output to demand is interwoven a policy of also bringing into circulation additional circulating capital that was previously shy of circulation. How is this achieved?

As is well-known from the context of the Marxist discussions of a second kind of crisis of capitalist circulation, even if there is no problem of realisation, capital need not readily circulate. Capital

is thrown into circulation and production undertaken only if there is the possibility of making a certain amount of profit. If the wage rate, interest costs and the capital intensity are all too high, the prospective profit rate may be too low to induce capital to circulate. A crisis sets in, not because capital thrown into circulation is not being realised, but because capital in large quantities is held back from circulation.

A crisis of this latter kind can be resolved either through scaling down the wage rate and interest costs or as used to happen often, by the economic destruction of capital itself. In the *General Theory* model, as the demand expands, so does output by drawing in more capital into circulation. To have this multiplier sequence work, it is absolutely necessary to guarantee the profitability condition that is necessary for additional circulating capital to flow in. The way Keynes himself looked at the problem was through the mediation of the marginal product theory of real wage determination.⁵ In his scheme, employment is pushed always to the extent that equates the marginal product of labour with its real wage. A falling marginal product schedule therefore implies that more employment and utilisation occurs only if the real wage rate falls.⁶ How is this fall achieved in the era of permanent crisis when the working class organisations are both more organised and more conscious? The Keynesian suggestion was to leave the money wage rate untampered with, and use a flexible money policy, so that the employers find their level of prices to respond *profitably* to the opportunities created by the States' demand.⁷ The output adjustment in the strict *General Theory* model is neither a "fixprice" adjustment, nor is it characterised by the wage-theorem. In a sense prices adjust instantaneously to create the requisite demand for labour; rather than being characterised by a zero speed of price adjustment, the system assumes an infinite speed.⁸

This second plank of Keynesian policies logically led to the institutionalisation of expanding money supply and easy credit. A policy of large State demands financed by deficit and an easy money policy all along, would both keep production profitable by the requisite inflationary squeeze on the real wage and provide markets for it. The history of institutional reforms and policy changes during the entire period between the *General Theory* and the Bretton Woods is essentially the history of the development of a suitable infrastructure for pursuing these two policies. In the national sphere it implied creating departments, in many cases, entirely new ministries for handling demand management. In the monetary arena, during the period, Central banks were nationalised in one country after another and the entire banking was brought under the control and supervision of these Central banks. The Central banks of course were modelled and styled so as to perform the management of large public borrowing, deficits and fostering of an easy credit regime. New bills in the Parliaments

were enacted and old ones amended to enable the governments to effectively pursue the stated objectives. Delinking of the medium of circulation from gold was made complete and final. In the international sphere, a series of measures to allow countries to follow expansionary policy and easy money without being impaired by external balance problems found their culmination in the Bretton Woods agreement.

One aspect of the Keynesian policies, as it arose in the late thirties and early forties, should be discussed here rather than later. The policy of inflationary deficit spending to allow the price level to squeeze down the real wage rate to make production profitable is in general acceptable to all capitalists, large and small alike. But cheap money policy also implies a low interest rate. It has been a contention of the strand of thought that associates Keynesian policies with a triumph of industrial capital, that this low interest rate itself is a prime indication of the anti-rentier character of Keynesian policies. The position should be carefully examined. Interest is but a part of the total surplus value added which is not paid to workers. The larger the interest paid, the smaller is the part of surplus value left for the industrial capitalist who had borrowed money capital; and to this extent, it is true that the lower the interest rate, the better it is for pure entrepreneurs.⁹ However, by the time the *General Theory* was written, and subsequently, the fusion of large industrial and banking interests had created a situation where for neither of them was the rate of interest of much concern. A low interest rate would affect finance capital only to the extent that it is engaged in lending to smaller capitalists. The actual volume of such lending compared to the lending to large industrial capital was already small at the time. The question still remains why finance capital should have even conceded this little bit in a policy that it framed for itself.

With hindsight, we can answer this question easily, even though for key personalities in the Treasury and the City, it required a lot of persuasion at that time to be convinced of its wisdom. First and foremost, money at low interest was a concession granted by finance capital for the sake of preserving the capitalist system from outright destruction. We should remember the explosive social background of the thirties together with the convincing demonstration of an alternative social system successfully functioning for more than one decade by then. Even with large-scale State demands, the Keynesian multiplier rounds would never get going unless production was profitable. It requires a cheapening of the working capital to make the smaller capitalists create employment in step with the rise in demand. Finance capital could very well entertain a policy of high interest rate as well; their own operations in industry would not be affected by high interest rates, and on banking operations of lending to smaller capitalists they would have earned more interest. But the ruin of

small capital would also choke off any prospects of revival of employment and going by the mood of the working class of the time, that could only be ill-afforded. Thus a low interest rate that appears to romantic petty-bourgeois economists as a bowing down of finance capital to small industrial capital, is in truth a concession given by the former to the working classes. It is the working classes and their militant mood of the time that had earned a low interest rate for small capital, and not that the latter earned the working class their employment. Secondly, the operation of large-scale State demands opened up the possibility of large public debts, on a scale unimaginable earlier, which could and did compensate bankers and rentiers adequately for all time to come. The problem of large money-capital, of finding worthwhile borrowers, was gone for ever—the limitless flow of most secure papers was there for all time to come.

The anti-rentier character of Keynesian policies thus is a claim not founded in history and is based on uncritically accepting a high or a low interest rate as pro- or anti-rentier in character.

Problems Created by Keynesian Policies

When the long boom following the Imperialist War of 1939 continued, the prosperity was generally ascribed to Keynesian policies and used to be thought to be unending. With the collapse in the late sixties of this long era of prosperity the reactions of the bourgeois economists have been broadly of two kinds. One group started doubting if the policies followed so far were really what Keynes meant—a query that has already given rise to a voluminous literature reinterpreting the theoretical structure of the *General Theory*. The other group has asserted that there is something fundamentally wrong with Keynesian economics and policies; and the post-war boom was not so much a contribution of Keynesianism but of exogenous factors, like the growth of productivity, etc.

We will bypass this debate, but note that whether Keynesianism sustained the boom or not, during its unimpeded operation of 30 years or more, it has created its share of problems for capitalism as well. In an earlier section we have seen the analytical basis of the Keynesian policies — of creating demand unrelated to the income of the population on the one hand, and making production profitable through a flexible money policy on the other. It should now be realised that, like in all other schemes of analysis in political economy, there are several implicit assumptions about the social environment in the analysis of the *General Theory*. Possibly borrowed from the perception of the contemporary social environment, these aspects were taken to be immutable, as is invariably done in frameworks of bourgeois analysis. The first is that the erosion of real wages to the requisite amount will be attained. In concrete terms, this requires the working class not to resist price increases when

money wage is given. In Keynes's own words: "While workers will usually resist a reduction in money wages, it is not their practice to withdraw their labour whenever there is a rise in the price of wage goods."¹⁰

A situation close to this was perhaps true around the time of writing the *General Theory*—partly because in the severe unemployment that characterised the period, the workers would much rather have a job first; and secondly, and perhaps this is more important, the organised working class had never experienced a calculated price rise aimed precisely at cutting their real wage. The perception of inflation as a wilfully perpetrated class menace must take time, and so also will the devising of suitable methods of fighting it through trade union action. But surely, when the policy of so-called 'controlled inflation' started producing uncontrolled price rise, the working class woke up against it. In times of fast rise in productivity, the need for rise in price has been less and so the problem has not surfaced. But more recently, together with prices, money wages have also risen persistently. To induce capital to circulate in the face of rising money wage, the easy money has to become easier—opening up the era of unheard of inflation rates in the advanced countries. This is easily the most difficult problem for State monopoly capital contributed by Keynesianism. By taking over the individual capitalist's struggle at the shop floor level to push down the real wage, and giving it a more organised shape through monetary institutions, Keynesianism has created a situation precisely the opposite of what was intended. Money wage rather than being the problem of the individual capitalist has become a social problem, a problem to be reckoned with by the entire economic superstructure of State monopoly capital. Also in wage bargains under rampant inflation, the individual worker can see the State much more clearly as his enemy than at any time in the past.

A reaction against this frustrating situation on behalf of the policy-makers is an attempt to sharply curb deficits and money supply — a form of monetarism. If we realise that Keynesianism itself was a package to help State monopoly capitalism in its permanent crisis, then it follows that when such policies are annulled, the ills of Keynesianism may disappear, but then capitalism gets back to square one. Curbing government spending and money supply may sooner or later bring down prices; in fact there are indications of the rate of inflation slowing down both in the USA and the UK. But the story had started from the chronic problem of stagnation, and now as inflation recedes, both the UK and the USA are left with unmistakable signs of an impending recession. There may be a ready cure for the ills of Keynesianism in the monetarist's kit, but none for capitalism as such.

The second implicit assumption of the Keynesian doctrine is

that each country will be able to pursue its own monetary and fiscal operation unconstrained by problems of external balance. In the domestic sphere, the delinking of money from gold had implied that in its pursuit of Keynesian policies, the State will never face a problem of liquidity, domestically. In relation to external payments, however, each country has a liquidity problem, and with growing operations of the world economy, the demand for international liquidity, major capitalist countries have been in a state of war—the so-called interest rate war, that is now raging for more than four years. The war that consists in competitively raising the interest rate, to attract international money, has created further problems for the domestic economy.

A Note on Monetarism

The reaction against Keynesian policies that has gripped some advanced countries in the form of a reversal to high interest, tight money and curbs on spending has been termed monetarism. It has been contended that the resurgence of monetarism is due to a new social development, namely, the dominance of finance over industry. As we have argued earlier, the idea that there has been a recent resurgence of finance necessarily presupposes that sometime in the past finance had been subjugated to industry. Since early this century, however, the capitalist States have been ruled by finance capital, a fusion of large industrial and financial interests. Smaller industrial capital has remained subordinate to this consortium of large bank and industrial interests. There is no historical evidence of this smaller industrial capital at any stage being in a dominating position over finance capital, and thus there is also no question of finance coming back to power now. During the period of Keynesian policies, the concentration of capital has proceeded apace. In fact, the Keynesian innovation of easy credit has enticed small capital into growing dependence on bank capital, institutionalised a high debt-equity ratio and thus led to many take-overs by finance capital.

The regime of high interest rates has been also cited as a proof of the rise of financial interests over industry. We have pointed out earlier that a high interest rate does not affect very large industrial capital and the multinationals, whose interests are indistinguishable, except in a book-keeping sense, from that of large bank capital. On the contrary, a part of the motivation for high interest derives from the needs of large multinational industrial interests, who in their operations perpetually come up against the shortage of international liquidity. We have pointed out already that high interest has primarily been the fall-out of the war among large capitalist countries to corner international liquidity. High interest therefore does not represent subjugation by finance of industry, but subjugation by large finance and large industry of small industrial interests. But this by

no means is a qualitatively new situation.

It is however absolutely true that the package called monetarism is definitely more oppressive to small capital, and likewise, through creating unemployment and recession, to the working class. Keynesianism was so far the best conceived package for State monopoly capital. But like all policies for a dying system, it has got its inadequacies. In its reaction against these inadequacies, monetarism is withdrawing the best possible remedy from the dying patient. Naturally, the phase of monetarism cannot continue unless it can evolve positive policies that will preserve the system. Whether any such new policy package follows or whether there is going to be a reversal towards Keynesianism, is not of much importance at the moment. Much more important is to realise that since monetarism is essentially aimed at reversing the ills of Keynesian policies, the capitalist States are at the moment passing through a de facto 'policy void', so far as economic policy goes. For the working classes in the advanced countries, it seems one of the best opportunities to strike against State monopoly capital.

- 1 Quoted in William McElwee, *Britain's Locust Years: 1918-1940*, London, 1962.
- 2 See V I Lenin, *Collected Works*, Vol 23, p 267.
- 3 Joan Robinson "What has become of the Keynesian Revolution?" in *After Keynes* (edited by Joan Robinson, Basil Blackwell), Oxford, 1973.
- 4 Compare for example the statistics on concentration of capital cited by V I Lenin in *Imperialism* with the statistics cited in *Modern Imperialism: An Economic and Statistical Survey*, AITUC Publications, 1968.
- 5 See J M Keynes, *The General Theory*, Ch. 2.
- 6 It may be argued at this stage, as indeed it has been, that the same profitability can be ensured without tampering with the real wage by scaling down the interest rate. This, according to some authors, was the real essence of the Keynesian doctrine which they claim was basically anti-rentier in its thrust. But, first of all, this is nowhere suggested in the text of the *General Theory*. Secondly, as argued in the rest of the present paper, historical evidence does not support this view of hostility between large industry and finance.
- 7 See Amal Sanyal, "The Political Economy of Keynesianism", *Social Scientist*, No. 103.
- 8 See the review article on A Leijonhufvud's and R W Clower's works by H L Grossman in the *Journal of Economic Literature*, 1972.
- 9 Karl Marx, *Capital*, Vol III.
- 10 J M Keynes, *The General Theory*, Ch. 2.

*Tribalism vs. Colonialism: British Capitalistic
Intervention and Transformation of Primitive Economy of
Arunachal Pradesh in the Nineteenth Century*

THE INTEGRATION of the distinct tribal economy of Arunachal¹ into the orbit of the greater imperial economy provides a fascinating case of colonialism operating through the important organ of trade. Whenever capitalism interacts with pre-capitalist modes of production and subjects these to itself, the transfer of value from the pre-capitalist formation to the capitalist formation takes place as a result of the mechanism of primitive accumulation. Yet expanding capitalism cannot exploit the economic assests of the 'periphery' without modernising the traditional structure at least to a limited extent. The present case was no exception. To understand this process it is necessary to examine the mode of production prevailing in the hilly region of Arunachal Pradesh during the pre-colonial period.

Primitive modes of production display a collectivism in production and consumption due to the underdeveloped state of productive forces. Theoretically, primitive modes of production are marked by (i) the organisation of labour partly on an individual basis (the small family) and partly on a collective basis (the clan, the village). Land, the essential means of production, was collectively owned by the clan, and cultivation was undertaken according to the rules for assignment of plots to each household; (ii) the absence of commodity exchanges and, correlative with this, (iii) distribution of the products within the group in accordance with rules that relate closely to the kinship organisation.² In practice however,

The different forms of the commune or tribe members' relation to the tribe's land and soil, to the earth where it was settled—depend partly on the natural inclinations of the tribe, and partly on the economic conditions in which it relates as proprietor to the land and soil in reality, i.e., in which it appropriates its fruits through

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labour and the latter itself depends on climate, physical make-up of the land and soil, the physically determined mode of its exploitation, the relation with the hostile tribes or neighbour tribes, and the modifications which migrations, historic experiences, etc., introduce.³

Marx often reiterated that "primitive communes are not all fashioned on the same cast. On the contrary they form a series of social groupings which differ as much by type as by age and which represent successive stages of social evolution."⁴

A micro-analysis of the Arunachalis' economy before it came into contact with British capitalism reveals the following characteristics:

(i) A non-commercial agricultural sector in which the organisation of labour and the deployment of the means of production bore a close resemblance to the theoretical description of the primitive commune. For most of the tribes agriculture was at a primitive stage, *jhumming* being the mode of cultivation. Those who practised wet-rice cultivation could commercialise to some extent. It is important to note here that slavery existed among some of the tribes on a small scale. However, the source of labour-power was not the slaves alone but the other members of the commune.⁵ Slaves in Arunachal were well looked after by their masters, not infrequently possessing private property which they obtained by trading during the months of the year when they were not required to work in the fields or, as in the case of women, by weaving cloth and rugs.⁶ The institution of slavery was contained within the primitive structure of the economy. Practised on a small scale, it could not initiate a structural change from the primitive to a slave-owning mode of production.

(ii) A home-based craft production sector, having an auxiliary role in the economy. In this sector each family acted as a nuclear group.

(iii) Simple commodity relations with other tribal groups.

(iv) Long-distance trade relations with outer zones. Theoretically, each family was a self-supporting unit, ideally capable of supplying all its requirements, but actually this was possible only with external exchanges which were sometimes inter-sectoral and sometimes long-distance.

Thus in spite of apparent variations, the mode of production of the Arunachalis remained primitive. By extensive *jhumming* the Mishmis, Nishis, Adis and Hill-Miris produced rice, wheat, red-pepper, ginger, tobacco, paddy, Indian-corn, pumpkin, poppy, maize, sweet-potato, plantain and sesamum etc.⁷ The crops remaining the same, the method varied in the case of Apatani, Khampti and to some extent the Singhpos, who practised wet-rice cultivation, and could raise a fairly good amount of marketable surplus, mainly rice.⁸ For

most of the tribes, however, *jhumming* was the mode of cultivation. This being less productive and more laborious, the tribes could not raise enough produce. The institution of slavery, in the absence of exploitation in the classical sense, could not help much in generating surplus.

The method of agriculture, coupled with primitive technology, kept production at the subsistence level. Industry was home-based and directed to meeting essential consumption needs. The manufacturing activities of the tribes centred round small-scale cottage industries like weaving, pottery, basket-making, hand-carved ivory, wooden and bamboo articles, rudimentary blacksmithy and silver-smithy products, like crude swords, smoking pipes and ornaments. The Singhpos had mastered the technique of smelting iron and with very simple implements manufacturing *dao* which were highly prized all over the frontier for their durability.⁹

In the absence of mass production in agriculture and industry, forest resources played an important role in the hill economy. The chief sources of wealth for the Mishmis consisted of the poisonous root *Aconitum ferox* and the valuable medicinal plant *coptis teeta* or *Mishmi teeta* which grew abundantly in the hills.¹⁰ The hills were also rich in rubber and timber. A great variety of wild life was seen in Arunachal. The Namsangias and Borduarias were in possession of brine-springs of considerable value. They collected spring water and manufactured salt out of it but the mode of manufacture was crude and the process slow and wasteful.¹¹

Technological backwardness and poverty of resources kept the tribes dependent on adjoining areas for the supply of essential commodities, including the implements of agriculture, husbandry, and weapons. The marketable surplus was brought down by the hillmen to the borders of Assam and bartered for essential commodities. The term 'essential commodities' is stressed because the driving force of the economy was the satisfaction of immediate wants and not the search for profit. The tribal economy bore a close resemblance to the African economy where the dictum 'enough was enough' stood in sharp contrast to the accumulative drive of industrial societies with their emphasis on 'more than enough'.¹² Barter trade balanced sectoral deficiencies but hardly gave any incentive for profit.

Traditional Trade

The long distance trade of the Arunachalis passed through twin channels, one flowing into the plains of Assam and the other finding outlets into Tibet, China and Burma. There were a number of traditional trade routes to Tibet, China and Burma from Arunachal Pradesh,¹³ the more important being the Kameng Valley route through Bomdi-la, Sela via Tawang to Tibet, the Lohit Valley route via Rima to Tibet and the famous Hukong Valley route to Burma by which the

Burmese had entered Assam in 1817 and 1820. Through these, as well as numerous less known trade tracks, the Arunachal tribes had maintained commercial communication with the Tibetans, Chinese and Burmese from ancient times. The old trade routes descending from the hills into the plains of Assam passed through dense forests, passes and rivers. Although there were no fixed routes for the descent from the hills, trade in the plains was conducted through an organised market system at the *duars*. The *duars*, or passes through which the tribes came down to the plains, were managed by officers known as *Duarias*. The Kariapara *duar*, with seven subdivisions to the east of Darrang, was held jointly by Monpa chiefs, known as 'Sat-Rajas' of Tawang, and the Ahom government. For four months, from the middle of June to the middle of October the *duar* was held by the Ahoms and for the rest of the year by the Bhutias.¹⁴ It was through this *duar* that the bulk of the caravan trade between Assam and Tibet passed with transit stations at Chouna for the Tibetans and Gegunsur for the Assam merchants.¹⁵ Sadiya was another important marketing centre frequented by the hill people.¹⁶ Besides the periodical markets, annual fairs were held in Udalguri and Doimara.¹⁷ The hill people appreciated the trading facilities granted to them by the Ahom government and bartered pepper, ginger, *Mishmi teeta*, wax, ivory, musk, Tibetan swords, spears; rubber etc. for glass beads, cloth, salt, utensils and agricultural implements.¹⁸

The unique system of granting *posa* to the hill chiefs counteracted the predatory raids of the hill people at the *duar*. Under the system the chiefs were entitled to a certain percentage of the produce of the *duar* and in return were held responsible for the maintenance of law and order. As the raids were conducted mainly because of the economic deficiencies of the hills, the Ahom policy proved well-considered.¹⁹ Since the Arunachal tribes had a long tradition of trade both with the Himalayan highlanders as well as with their southern neighbours, some of them acted as intermediaries between the two and their buffer role enabled trade between Assam and the countries beyond the Indian frontier like Tibet, China and Burma. The establishment of a British foothold in the Brahmaputra Valley following the treaty of Yandabo (1826) did not curtail this process. Trade flourished with the active encouragement of the British authorities but the whole trade structure underwent a radical transformation as the colonial rulers used the markets as instruments for achieving their own interests. The question follows: what could be the interest of British imperialism in the north-eastern corner of India considering the primitive nature of the economy there?

Colonial Penetration

The rise of British power in India coincided with the development of that phase of capitalism which has been identified by its

predominantly mercantile character. While mercantile capitalism started out with the desire for securing trading privileges, with the Industrial Revolution in Britain, the prosperity of British industries depended on imported raw materials and exported manufactured goods. The need for seizing new markets set the pace in forging new links between inner and outer zones. The process led to the consolidation of British power in India, which extended its jurisdiction to the Brahmaputra Valley in 1826. The sparsely populated territories of the Arunachal tribes lacked enough economic potential to attract the immediate attention of the colonialists, but with the gradual consolidation of British rule in Assam, imperialism discovered new motives in an apparently barren area.

Capitalism in its industrial phase was concerned with seizing markets for manufactured goods and acquiring raw materials, in contrast to the mercantilist emphasis on primary accumulation through trade and plunder. The importance of the territory now known as Arunachal Pradesh for the British was not so much for its resources as for its *strategic* location in having a common boundary with Tibet, China and Burma. This strategic importance stemmed from Britain's growing trade interests in these areas. As long as the chiefs of the Newar dynasty had ruled the petty kingdoms of Kathmandu, Patan and Bhatgaon a flourishing trade was carried on between High Asia and the Gangetic plains through Nepal. The Gorkha conquest however proved fatal to that trade.²⁰ Meanwhile, to the east, the Bhutanese invasion of Cooch Behar stopped all trade with Tibet through that channel. The turbulence of the intervening states led to the closure of all intercourse between India and Tibet by the third quarter of the 18th century.²¹

The East India Company needed the supply of gold from Tibet for its China trade. The growing demand for Chinese tea in the United Kingdom called for a large exodus of silver as China developed no reciprocal appetite for any British goods. Ever since the establishment of British political supremacy in Bengal there has been a regular export of silver species from Bengal to Canton to meet the cost of China tea, resulting in heavy pressure on home finance. With the beginning of tea plantations in Assam the problem of financing China tea receded to the background but by that time private British and Indian traders with the active encouragement of the East India Company had developed a lucrative trade in opium with China.²² The restricted nature of the trade and the prohibition on the import of opium into China by the Chinese government diverted British attention from maritime to overland routes to China. The importance of overland route was not minimised even after the opium war, although it resulted in the opening up of five ports to the Europeans, because piracy at sea and on river routes was rampant and beyond the power of the government at Peking to suppress.²³ The existence of numerous

overland routes to Tibet, China and Burma through the territories of the Arunachal tribes naturally attracted British attention to the north-east frontier of India. The experience of the company at Shahpuri, in Chittagong frontier on the eve of the first Anglo-Burmese war, also might have convinced them of the need to secure an alternative trade route to Burma.²⁴

Even before the treaty of Yandabo was concluded exploratory surveys had penetrated into Arunachal Pradesh in 1825.²⁵ This was the beginning of an era of exploration of the hill areas. Wilcox, Burton, Neufville Bedford, Hannay and others were employed on the frontier for extending geographical knowledge and exploring the commercial viability of the north-east frontier and the countries beyond.²⁶ Their researches conducted between 1825 and 1836 revealed bright commercial prospects for the East India Company in the Eastern Himalayas and the extensive trade of the Arunachal tribes with the Tibetans, the Chinese and the Burmese.²⁷ The fond hope of extension of commerce to the Eastern Himalayas found expression in the following words of Jenkins: "There is every prospect of our bringing all the races of hillmen bordering on this province under the same control as our Assamese subjects and at no distant period of opening out through them a direct trade with the great Tibetan and Chinese province from which we are only divided by the narrow ranges of hills but from which we are absolutely shut out by the untractable rudeness of the intervening mountaineers."²⁸

Before a profitable trans-Himalayan trade could be opened up through Arunachal Pradesh, *pacification* of the hill tribes was a necessity. The attempts of Lieutenant Wilcox in 1826,²⁹ Griffith in 1836,³⁰ Lt. E T Rowlett in 1844,³¹ to explore the route to Tibet and Lt. Burnett's attempted survey of the Patkoi pass in 1828,³² all met with opposition from the Arunachal tribes who refused to allow them to pass through their territory.

Capitalism, by nature invasive, was eager to pull down every local barrier to commerce.³³ In 1849, with the objective of facilitating the entry of Chinese merchants into Assam, Lum-pin Young, superintendent of the Chabua tea establishment, was deputed beyond the frontier of Assam for six months.³⁴ Lum-pin's mission ended in failure because of Singhpo disturbances that broke out in the intervening territory.³⁵ The question of trade with China assumed such importance that the issue was raised again and again in the British parliament. Soon after the signing of the Anglo-Burmese commercial treaty of 1862, Lieutenant Colonel A P Phyre was deputed to the Court of Ava. Among the many objectives of the mission were the opening of the caravan route from Ava via Bhamo to the Chinese province of Yunan and the immigration of Chinese labourers into the British province of Assam.³⁶ The tea planter interest in Assam was as excited by the prospect of getting trained Chinese labourers as the

British commercial interests were with the hope of getting millions of customers for the industrial products of Lancashire and Yorkshire.³⁷

After the 1870's the agitation of the commercial organisations in England for opening up of the Assam route to China gained momentum. In a leading article entitled "The Overland Route to China via Assam" published in the *Indian Tea-Gazette* of May 4, 1878, it was stated: "The trade in brick tea from China to Tibet is known to suffer under great difficulties in transit, making the prices, on arrival in Tibet, enormous. It remains to be seen whether tea could not find its way under much more favourable circumstances from Assam via Yunnan into Tibet."³⁸ The same article also pointed out the bright prospect of extracting silk from Yunnan and Szechuan for Europe: "Sadiya being the market for such goods, the market would be brought so much nearer to the producer than Hankow or Shanghai, which would be a great inducement to the producers to prefer Sadiya as their selling market to the last named places."³⁹

There was considerable demand for English cloth, printed calicos, metal etc. as well as Indian indigo, tobacco, salt, tea, rice, silk, gold and ponies in Tibet which facilitated exchange for the natural products of that country, including gold, silver and other minerals, skin, fur, goat hair and soft wool.⁴⁰ The government of India was not desirous of incurring extra expenditure on constructing roads through Sikkim for developing trade.⁴¹ There was no possibility of developing trade through Nepal.⁴² The prospect of developing trade with the Tibetans through Arunachal appeared very bright. Equally important was the consideration of developing Burmese trade through Singpho territory.⁴³

Thus long before commercial interest in London began agitating for new markets, the plan was very much in the minds of the officers employed in the region. The first commercial venture at Sadiya was taken up under the initiative of David Scott, Agent to the Governor-General, as early as 1826.⁴⁴ Though the initial attempt was a failure, with the consolidation of British rule in Upper Assam, encouragement was given to Marwari traders (who were operating in Assam as agents of British trading houses in Calcutta) to open up shop at the frontier and trade with the hill people. The British officers realised that once the frontier could be pierced, English manufacturers would be able to penetrate right to the heart of Central Asia and Burma as the Arunachal tribes occupied a buffer region.⁴⁵ If the tribes could be made economically more dependent on trade with the plainsmen, this would exert pressure on them to concede to the colonial interests in the region.

But to conclude that British interests in the hills of Arunachal Pradesh were confined to the development of trans-Himalayan trade would be a gross over-simplification. This particular consideration was reinforced by the possibility of collecting raw products from the

hills through the frontier market and introducing European finished goods among the tribes themselves. In an attempt to popularise the local products of Arunachal, the British authorities, in the London exhibition of 1862, displayed specimens of coal from Tirap, limestone from Digaru hills, Aconite (*Mishmi Bih*) and *Mishmi teeta* from Mishmi hills, mineral water from Singpho area and madder from Miri, Dafla and Abor and Aka hills.⁴⁶ To exploit these resources commercial intercourse between the hills and the plains was encouraged but certain changes were introduced in the traditional structure to suit colonial needs.

Colonial Modernisation

For the smooth operation of capitalism it was necessary to administratively systematise relations with the tribes. The fact that a few tribes from the bordering regions of Arunachal Pradesh created a serious problem of internal security through predatory raids called for effective measures. The immediate concern was, therefore, to dislodge the hill tribes from the foothills as the land was required for settlement of cultivators and for plantations. Captain White, the Political Agent in Upper Assam, was directed by the Fort William authorities to carry on negotiations with the hill chiefs for terminating the system of collection of *posa* by the hill tribes in return for payment in cash.⁴⁷ In 1836 the Sherdukpen and Thebengia Bhutias' right to direct collection was substituted by cash payments of Rs.2,526-7-0 and Rs.145-13-6 respectively per annum.⁴⁸ The fertile *duar* of Kariapara was taken over from the Sat-Rajas in consideration of an annual payment of Rs. 5,000.⁴⁹ In 1842 the whole amount to be disbursed to the Akas was fixed at Rs. 360,⁵⁰ and by 1857 it had gradually been increased to Rs. 668.⁵¹ In 1844 payment in kind to Nishis (Daflas) was commuted to Rs. 2,543 and in 1854 it was increased to Rs.4,129-15-0.⁵² The Miris and Adis received Rs. 2,178-0-0 and Rs.3,312-8-0 respectively from the British government.⁵³ The conversion of *posa* into cash increased the purchasing capacity of the recipients and monetisation infiltrated into the subsistence hill economy.

As the payment of *posa* depended on the good behaviour of the tribes, the chiefs entering into such agreements came automatically under British control. The treaties concluded with different tribal chiefs from time to time regulated the hills-plains trade to established market places in the foothills.⁵⁴ Trans-frontier trade was also brought under the control of the colonial rulers through the Inner Line Regulation of 1873. The regulation did not retard trade but regularised it through a pass system under which commercial intercourse came to be controlled by the colonial rulers with the help of collaborating chiefs.⁵⁵

To transfer the economic resources of the periphery it was necessary for the encroaching forces to seek collaboration from a

group or class within the local sector which could mediate between invasive capitalism and the indigenous economy. In the absence of a professional commercial class in the Arunachal region, the choice naturally fell on the ruling chiefs who could exert influence on the indigenous economy. The political sensitiveness of the area because of its proximity with Tibet, China and Burma, the very factor which enhanced the economic significance of the region, also narrowed down the chances of investment by capitalist entrepreneurs. The restricted pattern of trade could not obviously initiate any structural change in the economy and hence ruled out the possibility of the emergence of a new 'comprador' class. The invasive forces had no option but to seek the cooperation of the ruling chiefs.

The emergence of a collaborating class in Arunachal had its own peculiarities. The collaboration, essentially on the economic plane, was mutually profitable to both groups, although it accelerated the process of the economic invasion of the indigenous economy.⁵⁶ The peculiar nature of the collaboration arises, perhaps, out of the nature of the interaction between a capitalist economy and an economy which was not feudalised but primitive. The Robinsonian concept of a collaborating class⁵⁷ is an utter misfit in this case. The Marxian concept of a comprador class, though a closer approximation, cannot be said to be wholly appropriate.

Unequal Exchange

The Assam trade of the Arunachalis during the period under study, passed through the twin channels of the trade fairs and the regular agencies that worked inside and outside the Inner Line throughout the year. The different trade fairs held in sub-montane areas such as Sadiya, Udalguri and Doimara served as arteries of the hill economy.⁵⁸ After the end of the agricultural season, the hill people sold their surplus and purchased their annual requirements. The fairs were officially held for three days but trade transactions were carried on throughout the winter season. The government officials used to conduct *Durbar* at the place of the fair. The British government from the very beginning pursued a policy of popularising manufactured goods through the ceremonial exchanges that took place in the *Durbar*. The official presents to the hill chiefs consisted of British and other European produce of broad cloth, handkerchiefs, scissors, glass, porcelain ware etc., in addition to Eri cloth, rum and salt.⁵⁹ Such glamorous finished products easily attracted the hill people, who, once used to them, created a demand for such goods at the fairs. The articles brought down by the Arunachalis in return consisted mainly of raw materials, besides limited amounts of gold and silver, e. g. wool, yak tail, musk, chillies, spices, wax, maddar, ivory, rubber, *Mishmi teeta* etc.⁶⁰ They purchased manufactured goods, mainly British mill-made cotton goods, cotton yarn, glass, bead,

metal and metal ware, apart from salt, opium and tea.⁶¹ Table I gives an idea of the volume of trade.⁶²

TABLE I

Year	Udalguri Fair		Doimara Fair		Sadiya Fair	
	Export (Rs.)	Import (Rs.)	Export (Rs.)	Import (Rs.)	Export (Rs.)	Import (Rs.)
1876	50,426	25,712	7,452	5,636	49,100	44,475
1877	44,439	13,805	3,727	11,833	54,720	19,915
1878	1,16,189	50,677	7,324	5,684	51,100	31,639
1879	81,694	61,492	4,992	4,022	45,180	27,130
1880	87,069	22,573	15,800	8,912	35,721	30,535
1881	51,970	36,631	8,554	1,350	75,763	53,240
1882	2,35,308	78,504	27,057	3,357	34,625	26,414
1883	74,436	43,891	72,923	33,644	45,502	39,896
1884	64,689	45,153	14,077	6,801	60,084	44,171
1885	1,20,792	90,380	8,423	6,438	25,454	37,972
Grand Total	9,27,012	4,68,818	1,70,329	87,677	4,77,249	3,55,387

The table projects a rather peculiar situation of exports of the hill people dominating imports, a feature restricted, however, to the trade fairs. The position was reversed in other areas. This was because the hill people returned from the fairs with a fairly good amount of cash in hand. Perhaps an initial interaction with cash, unknown in the hill economy, enhanced its relative value and created an acquisitive tendency. Though this cannot be in any way related to the accumulative tendency under capitalism, money certainly had some appeal for the tribes as a sort of treasure.

With the passage of time, the transactions conducted at fairs fell far short of annual requirements as the Arunachal tribes became more and more dependent on imported goods. The hill tribes became frequent visitors at marketing centres in the plains such as Sadiya, Dibrugarh, North Lakhimpur, Margherita, Tezpur, Jaipur, Mangaldai, Dijnur, Bishwanath, Charduar, Mazbat, Orang etc. and at shops that were opened by enterprising Marwari dealers beyond the Inner Line.⁶³ In such shops Marwaris sold opium to the hill tribes in exchange for rubber.⁶⁴

The pattern of commercial exchanges that took place at fairs and trade centres included a variety of items but traffic beyond the Inner Line mostly centred on rubber, opium, timber and elephants. The various saw mills in the Brahmaputra Valley contiguous to the hill areas of Arunachal Pradesh depended to a large extent on the supply from the hills and a considerable trade developed in timber.⁶⁵ Passes were given to catch elephants beyond the Inner Line,⁶⁶ but the most significant item of trade was rubber. The history of the trans-frontier

rubber trade shows that not only did well-established Marwari traders of Assam like Harbilas Agarwala and the Marwari-owned firms of Messrs Ratan Chand Chagmal, Maising Meghraj Bahadur etc. participated in the trade, but even European concerns like Messers Brothers Assam Valley Trading Company Limited and individuals like G F Moore and G D Payton were actively involved in this lucrative trade.⁶⁷ The manner in which the trade was conducted sometimes provoked retaliatory violence on the part of the hill people. Huge profits were made by the commercial concerns; the ultimate net profit per maund of imported rubber (when it was sent to Calcutta or the London market) was in fact over Rs.50.⁶⁸ Though British official records do not give separate statistics of the quantity of rubber imported by each commercial concern, collectively the quantity of rubber imported from Arunachal Pradesh ranged from some hundreds to thousands of maunds per annum.⁶⁹ Thus resources were evacuated without any outlay of capital investment within the region. The tribesmen were encouraged to pull up the plants whole and transport them to the trading houses located in the plains. There was no necessity for improving transport as the various tributaries of the Brahmaputra river provided natural transport facilities. To satisfy their increasing demand for opium, manufactures etc., the Arunachal tribes were tempted to bring down more and more rubber, even taking recourse to the destructive mode of root-tapping. This ruthless exploitation, while it gave huge profits to the outside agencies, depleted the valuable forest resources of Arunachal, and consequently trade declined over time.⁷⁰

The mercantile community took the lead in developing the lucrative trade in hill products. The European capitalists followed suit and came into the arena to share the spoils. To complete the picture, the Arunachal economy also felt the impact of the late nineteenth century change in the character of capitalism (i.e., the domination of metropolitan finance capital) when the hill areas served very briefly as a receptacle for capital export. Capitalist activity of this kind however remained confined to the acquisition of rights by Europeans to wash gold in various auriferous rivers that flowed from the hills; unfavourable geographical factors and difficulties of transportation stood in the way of progress.⁷¹

While the whole trading enterprise was in the private sector, it received the fullest patronage from the colonial government, providing it with considerable revenue. Each Marwari trader who had an opium shop beyond the Inner Line had to pay Rs.6,125 as yearly revenue to the government and from 1891 this was increased to Rs.8,000 per annum.⁷² By 1887 there were nine shops beyond the Inner Line.⁷³ Intending traders who went beyond the Inner Line to catch elephants paid Rs.100 per elephant caught as government royalty.⁷⁴ While the duty levied on timber was very moderate, the government royalty per

maund of rubber imported was Rs.12.⁷⁵ How much this added to the government revenue can be judged from the fact that in the year 1900, the total value of rubber imported was Rs. 51,504.⁷⁶

What were the profits of tribal chiefs who collaborated in the enterprises? Apart from the cash given to the chiefs in the form of *posa*, the trade beyond the Inner Line was an additional source of wealth for them. Traders and hunters frequenting hill areas had to pay toll to the chiefs of the respective areas where such operations were carried out.⁷⁷ In the Tawang frontier the Gelleng Rajah used to levy duty in kind from his own *ryots* before leaving the hills and after returning from the plains during winter season.⁷⁸ Singhpo and Khampti chiefs were themselves engaged in catching elephants and several times obtained licences from the British government to hunt elephants in the government 'elephant-mahal' on payment of the usual royalty.⁷⁹ While no statistics are available to show the exact amount accumulated by the chiefs, some of the applications addressed to the British government indicate a substantial share. Thus in the application of the Gelleng Rajah, written in 1878, an earnest appeal was made to withdraw the restriction of the Inner Line as it checked the free access of the people of the plains to the hills "for the purpose of collecting rubber, cutting boats, bamboos and cane" which "had been a large source of revenue to the Gelleng Raja".⁸⁰ Such applications in the event of the stoppage of trade were received from other tribal chiefs too.⁸¹

Impact on Tribal Economy

The ambitious colonial project of opening up of trade routes to the Eastern Himalayas could not materialise due to changing political circumstances. With the integration of Burma into the imperial empire the question of an alternative route to Burma lost its importance. The hostile attitude of the Chinese stood in the way of the promotion of direct trade with Tibet and China through Arunachal. Although the British and Indian manufactures found an outlet into Central Asia through Arunachal the volume of this trade was insignificant. However, in the process, capitalism discovered the worth of Arunachal itself as a source of raw material and the colonial scheme led to the growth of an extensive Assam-Arunachal trade which left its imprint on the tribal economy.

An increased indispensability of the market for the hill economy was a marked feature during the colonial period. This is evident from the fact that the hill chiefs again and again appealed to the British government to withdraw the restriction of the Inner Line that stood in the way of promotion of commerce. However, the exploitative character of the activities of the Marwaris and their agents and the predatory character of the retaliation by the hill people often sparked off crises.⁸² Unaware of the laws of demand and supply, the

hill people felt that they were exploited by the traders of plains and the most common form of registering protest was through raids and plunder. Imposition of an economic blockade from time to time resulted in the immediate surrender of the culprits.⁸³ Trade became so important to the Arunachal tribes that the idea of the closing of the markets gave them a fright. An interesting result of the Dafla blockade of 1874, as reported by Colonel Graham, revealed that agricultural operations of the hill people were suspended because they could not procure iron from the plains to manufacture *dao* to cut the *jhooms* and marriages stopped as the supply of silk cloth from Assam was blocked.⁸⁴

The fairs and market, so carefully organised by the colonial rulers, converted the Arunachal economy into a satellite economy. The introduction of finished products in the markets of Assam diminished the demand for indigenous handicrafts, as the tribes became more and more used to imported commodities.⁸⁵ The local handloom industry failed to survive the competition of cheap mill made cloth. Cheap Bengal salt pushed Tibetan salt out of the markets. Similarly, the Tibetan pony lost importance under the changing circumstances. Iron smelting, weaving, spinning and dyeing that had once enabled the hill people to procure a marketable surplus became things of the past. The introduction of synthetic rubber caused the end of the rubber trade and the policy of wild life preservation reduced the prospect of elephant catching.⁸⁶

The market sector of the hill economy passed completely into the hands of the well established business communities of the plains. The hill people used to receive cash advances from Marwari traders against pledged forest products.⁸⁷ Business enterprise and the cash economy entered into the tribal regions and provided a network for the infiltration of credit. Indebtedness and money-lending altered the specific form of the economy.⁸⁸ The effect of the political distribution of rum and the sale of opium to the hill people proved disastrous. Though opium was not unknown in the hills, it was cultivated and consumed to a limited extent. With large scale sale of superior opium by the Marwaris, addiction advanced among the Arunachal tribes.⁸⁹ Technological backwardness, coupled with the illiteracy of the people and the absence of communication beyond the Inner Line, kept the area outside the scope of an alternative economy. The tribes found themselves faced with the "loss of the old world, with no gain of a new one".

The supply of cash to the chiefs in the form of *posa* and the royalty earned from Marwari and European individuals and companies engaged in trade resulted in some accumulation of money capital in the hands of a few ruling chiefs. On the one hand it created conditions for the emergence of a wealthy class among the tribes, on the other hand it brought serious dislocation in the economy as far as the

common hillmen were concerned. Market involvement multiplied the wants of the hill people but in the face of an exhausted forest-based economy the need for an alternative source of livelihood resulted in a tendency among the hill tribes to migrate to plains.⁹⁰ Some served as labourers in tea gardens; others took up cultivation in the plains.

While integration into the market made the value of raw materials exported from the hills dependent on the fluctuating world prices, and thereby introduced an element of precariousness into the tribal economy, it also brought modern trends into it. In the fairs and markets the barter economy of the Arunachal tribes interacted with the monetary economy of the plains and made the former acquainted with measures of weight, trade competition, monopoly and market trends. It thus gave an impetus to the process of transformation of the hill economy from *mithun*⁹¹ to cash.

The integration of the tribal economy into the world capitalist economy was not accompanied by any transplantation of capitalism in the periphery. The import and export sector no doubt provided scope for the ruling chiefs to accumulate wealth but there was no scope for reproduction of the wealth earned. The total absence of investment opportunities, the fact of educational and technological backwardness nullified the scope for the formation of local capital. Therefore, while the interaction left a lasting impact on the shattered tribal economy, it did not initiate a structural change in the economy by changing the mode of production. Hence such phenomena as the formation of 'peripheral capitalism' remained conspicuously absent in the Arunachal economy which continued to revolve round a stagnant system of 'slash and burn' cultivation.

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B UDAY SHANKAR*

Some Recent Trends in the Indian Economy

IT is now almost exactly a year since the Board of Executive Directors of the IMF approved a five billion SDR loan to the Government of India under the Extended Fund Facility. This enabled India to draw 900 million SDR for the first year of the three-year agreement and the IMF subsequently approved, on July 9, 1982, the Government of India's request to draw another 1800 million SDR for the period July 1982 to June 1983. The approval of the loan by the IMF was contingent upon the acceptance, by the Government of India, of several explicit and binding performance clauses along with a whole range of policy prescriptions which were intended to bring about a 'structural adjustment' of the economy. The focus of the debate on the IMF loan has been the argument that these conditionalities were unacceptable because of their impact on the broad economic policies followed in the country and that there exist alternative policy options that would not similarly restrict the manoeuvrability of the government. It would perhaps be interesting, at this juncture, to examine some recent trends in the Indian economy in order to see whether the changed economic policies have brought about an improvement in the short-term prospects for the country.

During the first year of the agreement the Government of India has successfully fulfilled both the explicit conditions specified in the loan agreement with the IMF as well as those implicit in its policy package. Total domestic credit and net bank credit to the government during 1981-82 were both contained within the ceilings specified by the IMF. The dictates of a disciplined monetary-fiscal policy were met by the imposition of a credit squeeze, on the one hand, and a tight expenditure policy with an effective reduction in food subsidies, on the other. The price reforms advocated by the IMF have taken the form of increased postal and railway charges and higher administered prices of a whole range of commodities, including coal, petroleum products, electricity tariffs and, most recently, steel. Imports have been liberalised and technology imports have virtually been freed of the scrutiny to which they had till now been subjected. In the sphere

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of export promotion, import duty exemptions have been offered to a wider range of domestic producers, import licensing has been eliminated for Free Trade Zones and 100 per cent export-oriented units and MRTP companies have been freed of all restrictions in the setting up of export-oriented units. The Government of India can thus on no account be accused of a half-hearted implementation of the set of policy measures advocated by the IMF. Given this background of effective implementation of liberalisation measures by the government, we should expect to find encouraging trends emerging in the balance of payments position since the loan was taken basically to resolve problems in this area.

Since the late 1970's there have been indications that official thinking in India has been veering round to the view that the impetus to growth from import-substituting industrialisation has been exhausted and that export-led growth strategies held far greater potential. Implicit in this changed official emphasis was the belief that the strategy of import-substituting industrialisation followed so far positively discriminated against exports, and that corrective measures were essential if there was to be a sustained expansion of exports. The Alexander Committee report of the late 1970's recommended a rationalisation of the structure of subsidies and the provision of more export services and led to the first major import control liberalisation in 1978-79.¹ The majority report of the Tandon Committee on export strategy recommended a range of measures designed to provide preferential treatment to the export sector of the economy in the spheres of licensing, MRTP regulations, duty exemptions and provision of inputs at international prices.² The basic assumption underlying the liberalisation of import controls from 1978-79 onwards is that of the possibility of achieving an expansion of exports through efficiency— itself to be brought about through exposing the economy to international competition. Import liberalisation was combined with vigorous export promotion measures—the cost of which has led to subsidies on exports occupying a major position in the Central Government's budgetary subsidies. Since policies aimed at export growth have increasingly been implemented since the late 1970's and since, to quote the IMF document, "the focus of the adjustment of the economy aimed at establishing the medium term viability of the balance of payments", it does not seem unreasonable to expect to discern trends of this viability emerging at this juncture.

Balance of Payments

In fact, the balance of payments position in 1981-82 saw a further deterioration as compared to 1980-81. Reserves declined by Rs.1467 crores and brought the total deficit to Rs.2417 crores, of which the IMF loan covered about Rs.950 crores. The actual depletion of reserves in 1981-82 has therefore been almost 80 per cent higher than

the IMF projections although both the volume and unit prices of oil imports have been lower than in 1980-81. The trade deficit for 1981-82 at Rs.5779 crore was only marginally lower than in 1980-81 and almost 10 per cent higher than IMF projections. This divergence between the projected and actual balance of payments position in 1981-82 occurred despite the stability in world crude oil markets and lower import volumes of petroleum products, the burden of which is normally cited as the main reason for the adverse payments position. The recurring balance of payments deficits faced by India are basically caused by adverse movements in the terms of trade, and because export volume has been relatively stagnant since 1976-77 while the volume of imports has steadily increased. A recent study has shown that India's share in world trade fell from 1.1 per cent in 1948-49 to 0.4 per cent in 1980-81. The annual index of India's net terms of trade, with 1968-69 as the base, fluctuated between 106 and 124 between 1970-71 and 1973-74. The purchasing power of Indian exports remained favourable to the extent the index exceeded 100, a situation that changed for the worse in 1974-75 with the index ranging between 90 and 95 till 1978-79. The erosion in the buying power of exports became severe in 1979-80 when the index dropped to 66, declining by 5 per cent in 1980-81 and by a further 8 per cent in 1981-82. FICCI (Federation of Indian Chambers of Commerce and Industry) has estimated that out of the terms of trade loss of about Rs. 6000 crores between 1969-70 and 1979-80, about a third was due to the successive hikes in oil prices, the balance being accounted for by rising prices of other major imports. While it may be argued that high oil prices have both a direct adverse effect and an indirect one through higher prices of imports with a high energy content, the analysis does show that it is wrong to visit the sins of balance of payments deficits solely on oil price hikes.

Stagnant export volume since the mid-1970's remains the main problem therefore, since the alternative option of drastically reduced imports has been ignored since 1978-79 and is now specifically forbidden under the terms of the loan agreement with the IMF. In fact, if the full IMF loan is drawn by India, debt servicing would in itself present serious problems in the absence of a rapid and sustained expansion of exports. The annual interest amount alone would be roughly Rs. 500 crores and the total burden would exceed Rs. 1000 crores when repayment begins. Since the import dependence of the economy would by then have been accentuated with further import liberalisation on the cards, the prospects of a rapid rise in exports in 1982-83 assumes increased importance.

The export-import policy for 1982-83 announced in April 1982 fulfils the assurance given by the Government of India to the IMF of its intention to take significant steps towards liberalisation. The main features of this policy are: (1) the inclusion of more than 100 new

items of machinery, raw materials, components and consumables under the Open General Licence for unrestricted importation; (2) the increased facility for technology imports by the upward revision of value limits for the import of prototypes, designs and samples, and (3) the expansion of the list of commodities eligible for duty free importation and the extension of this facility to manufacturers other than registered exporters under certain conditions. The last feature is in effect an increase in export subsidy as manufacturers who had till now been exporting commodities despite paying duties on imported inputs have now been exempted from paying these duties. This also reflects the assumption in official circles that there exists a positive relation between increases in the rates of subsidy paid to an industry and its export performance. The complete absence of any such relation is in fact revealed in an official study which analysed micro-level data on the export performance of engineering firms which were eligible for cash assistance on their exports. It was found that the best export performance was exhibited by firms which claimed a rate of subsidy of less than 10 per cent in comparison with other firms which performed worse despite being eligible for higher rates of subsidy.³ In addition, the logical aim of maximising net foreign exchange earnings is itself not realised in many cases. The note of dissent to the Tandon Committee report pointed out that the Comptroller and Auditor-General had found instances where the quantum of subsidy granted by the government greatly exceeded the net foreign exchange earned. Export subsidies in themselves are not likely to be very effective in the context of recessionary conditions in international markets and growing protectionist pressures in developed capitalist countries.

Export performance in 1981-82 fell short of both the original target of Rs. 8400 crores and the revised target of Rs. 7700 crores. Considering the present trends in agricultural and industrial production, the target of Rs. 8650 crores set for exports in 1982-83 appears difficult to achieve. The export of such major items as jute, cotton textiles and tea have declined in absolute terms in the first quarter of 1982-83 compared to the corresponding quarter of 1981-82. Given the damage to the current *khari* crop, the export prospects of rice which accounted for Rs. 285 crores in 1981-82 (against Rs. 156 crore in 1980-81) look extremely bleak. The price of sugar in the London market is currently around pound 110 per tonne, or roughly half the price of levy sugar in India that is meant to be exported. In view of the huge financial losses that would be incurred, the STC may not even be able to utilise the export quota of 6.5 lakh tonnes for sugar in the current calendar year and is likely to export just 4.5 lakh tonnes. Failure to utilise the quota will entail a quota reduction in the following year and this virtually rules out an increase in realisations from sugar. Spices, cardamom and cotton are similarly faced with depressed world

markets, with prices ruling at extremely low levels. There has been a sharp decline in the volume of garment exports in the first eight months of calendar 1982 compared to 1981. While there has been a significant decline in exports to the EEC, exports to the United States have registered only a marginal increase. The only encouraging feature of garment exports is the considerably increased offtake by non-quota countries, including the USSR, although it is extremely unlikely that the target of Rs.750 crores will be reached. With respect to the export of engineering goods which are the largest commodity group in Indian exports and till recently the most dynamic, the Engineering Export Promotion Council has estimated that the target of Rs. 1500 crores may be beyond our reach and that exports may come up only to Rs. 1300 crores. The optimism that prevailed in the MMTC regarding iron ore exports at the beginning of 1982-83 has been shattered by Japan's unilateral suspension of ore imports from India. Following the depressed demand for steel in the international market, Japan has cut steel production and is not even likely to honour the existing contracts to import iron ore. The market for iron ore is a fairly typical example of the monopsonistic power faced by Indian exports in international markets. Japanese and West European steelmakers continually monitor each other's prices and buying practices and exchange information that enable them to concede annual price increases that are almost negligible in the context of continually rising energy costs. An official study done in the Ministry of Industry in 1981 revealed that India was incurring heavy financial losses on iron ore exports from the Bailadila range—losses that are further compounded by the refusal of Japanese steelmakers to give Indian shippers a fair share of cargo. If the aggregate exports of the first quarter of 1982-83 are broken down into exports to the COMECON countries and exports to the EEC and the United States, it can be seen that there is virtually no increase in exports to the latter group, a logical outcome of the depressed state of these economies and the strong protectionist tendencies emerging in them. The clause of the loan agreement that prohibits bilateral payment agreements thus restricts India's ability to diversify its exports away from these markets towards markets where there is at least a potentially larger absorptive capacity.

On the side of imports, the Ministry of Energy has had to make an upward revision of earlier estimates of imported requirements of crude and other petroleum products. The oil import bill for 1982-83 is therefore likely to be Rs. 5447 crores, against Rs. 5184 crores in 1981-82. Recessionary conditions in the international market have resulted in a flood of imports into the Indian market. The chemical and petrochemical industries have been affected quite seriously by low priced imports from Romania, Bulgaria, Brazil and South Korea. Mini-steel plants have been affected by large-scale import of alloy steels as has the aluminium industry, and units manufacturing tubes

and pipes. The problem has assumed serious enough proportions for the Finance Minister to have remarked, a few weeks ago, that "unnecessary imports" worth Rs. 2000 crores had taken place in non-ferrous metals, aluminium and chemicals. Any serious attempt at regulating or restricting such imports is, however, completely out of the question as that would lead to a violation of a binding 'performance clause' of the loan agreement with the IMF.

Industrial Performance

Liberalised imports, on the one hand, and the credit squeeze, on the other, are the two aspects of the loan agreement that have had an adverse impact on Indian industry. The growth of credit was indeed slow during the first three months of calendar 1982 but lately more disturbing trends have emerged. Between April and the end of August this year non-food credit had increased by only Rs. 106 crores as against an increase of Rs. 1159 crores during the corresponding period in 1980, and although this figure has since gone up to Rs. 600 crores, it has to be seen against the figure of Rs. 4600 crores that the banking system hopes to lend over the entire fiscal year. This unusually low level of demand cannot be explained by the hypothesis that manufacturers are selling their accumulated inventories and therefore do not need working capital. In fact inventory levels have been rising in steel, jute, paper and paper board, fertilisers and in a range of chemicals and petrochemicals. Although it is difficult here to distinguish between slack domestic demand and indiscriminate imports, the only other explanation that makes sense is that domestic industry is going into a recession. This view appears to be contradicted by the trends in industrial output as revealed by the movement in the index numbers of industrial production with base 1970. There was a 6.3 per cent rise in industrial output in the period January to June 1982 over the same period of 1981. But a large part of this increase was accounted for by the rise in sugar production. More significantly, the index showed a decline during the months of May and June 1982, and in July, when industrial output should have gone up after the normal summer lull, it actually went down and was only 0.9 per cent above the level in July 1981. The coverage of the index of industrial production is confined to large-scale units reporting to the DGTD. Since large units are better equipped to deal with recessionary conditions than small units, the fact of a decline in the index combined with unusually slack demand for non-food credit points to the emergence of recessionary trends in industry.

Industries which showed a decline in output between May and July 1982 included textiles, basic metals, metal products, paper and paper board, garments, chemicals, aluminium and transport equipment. The commercial vehicle industry has been seriously affected by the credit squeeze because most purchases are made under

hirepurchase agreements which are sustained by bank credit. Demand for vehicles has dropped drastically leading to the disappearance of black market premia and to output cuts by the main assemblers. While TELCO has imposed a 20 per cent cut in production, Ashok Leyland has curtailed output by 40 per cent. The tight credit policy also underlies the slump in demand for tyres, tractors and diesel engines. Poor demand from these sectors, combined with large imports has affected the steel industry which is burdened with inventory levels twice as high as normal and reduced offtake from stockyards. Given low offtake, SAIL has informed the Railways of its inability to offer higher traffic demand, thus causing unprecedented levels of idle rolling stock and increased pressure on the resource position of the Railways despite the recent increases in fares and freight charges.

The commercial vehicle industry is a good example of the inadequacy of the index of industrial production in capturing the impact of the recession on the small-scale firms that are the worst affected in such conditions. The main assemblers of vehicles in India succeed in passing on the effects of stringent credit conditions and recessionary trends to the hundreds of small-scale and ancillary units by delaying payment for supplies or cancelling orders placed. The effect of such measures on the small firms is obviously not reflected in the index of industrial production. The situation in the commercial vehicle industry may show a slight improvement because of the concessions made by the RBI on October 25, 1982, to enable State road transport undertakings to purchase vehicles. The overall credit position is, however, unlikely to improve because the IMF has further tightened credit expansion ceilings from 23.1 per cent for 1981-82 to 17.9 per cent for 1982-83 in the case of net bank credit to government and from 19.4 per cent to 18.2 per cent in the case of total domestic credit. The imposition of such stringent controls on credit expansion is intended to reduce both domestic inflationary pressures and the external deficit. We have seen that prospects for any improvement in the balance of payments position are extremely bleak.

Price Situation

The picture on the price front is not very encouraging. The wholesale price index (1970-71=100) rose from 274.8 in April to 289.8 in the week ending October 2. *The Economic Times* Wholesale Price Index for wheat rose from 178.9 on June 31, 1982, to 197.9 on October 30—an increase of 19 points over four months. *The Economic Times* Retail Price Index for Greater Bombay increased by 17.3 per cent over 1981-82 compared with an increase of 17.9 per cent over the year 1980-81. Despite its limitations the index shows that the rate of increase in retail prices in 1981-82 was not significantly lower than in 1980-81, and figures for the current year do not indicate a moderation of inflation, particularly in the case of food articles. At the same

time, while there is increasing pressure on the public distribution system as people turn to it for relief, the government has raised the issue price of wheat and rice. In the case of wheat the rise in issue price is steeper than that in the procurement price and additional resources were in any case being mobilised by a 20 per cent increase in the price of wheat to flour mills.

To sum up, on the one hand recessionary trends are visible in a number of sectors of Indian industry and a significant upsurge in exports appears unlikely, while on the other, import liberalisation is likely to proceed further over 1982-83 and the next year. Given the increased debt servicing burden and stagnant export earnings it appears likely that we might have to borrow simply to service our debts.

1. Government of India, Ministry of Commerce, *Report of the Committee on Import and Export Policies*, (Alexander Committee), New Delhi, 1978.
2. Government of India, Ministry of Commerce, *Report of the Committee on Export Strategy*, (Tandon Committee), New Delhi, 1980.
3. Government of India, Ministry of Finance, *Report of the Committee on Controls and Subsidies*, (Dagli Committee), New Delhi, 1979; Annexure Table 8. 1.

NOTES

The Politics fo Dependent Capitalism

CAPITALISM evolves its own escape valves for survival in the wake of crisis—throwing up new mechanisms whereby the developed capitalist world carries out its exploitation process in the underdeveloped regions. It began with piracy and plunder by European nations in the 15th and 16th centuries. The next stage was the political annexation of what is now the less developed world, and exploitation through colonialism. In the post-colonial era neo-colonial dominance replaced political dominance—international linkages being forged with the peripheral regions of the Third World in interlocking relationships of dependence with the metropolitan centres—fostering the continued transfer of wealth from the periphery to the centre.

Starting around the 1960's the pattern of imperialist expansion took a new turn. Arising around 1967 the crisis of Western capitalism is characterised by recurrent and sharper downswings in economic activity where, for the first time, stagnation co-exists with high rates of inflation. In earlier decades, periods of inflation alternated with periods of stagnation; both phenomena did not appear at the same period of time. In the current phase termed 'stagflation' these phenomena surface together and the normal Keynesian formulas are seen to work no longer. The cure for stagflation whilst eliminating one of its twin components aggravates the other. Expansionary policies for curing the stagnationary elements make the inflation aspect take on crisis proportions. To snap out of the crisis, capitalism has evolved two mechanisms where the adjustment process falls heavily on labour both at the metropolitan centres as well as at the periphery.¹ One is the migration of capital to the peripheral regions of South Asia in the form of 'export processing zones' (EPZ) creating 'indigenous capitalisms'. The other is the tailoring of immigration formulas at the centre to suit the needs of monopoly capital.

In order to exploit the peripheral regions of South Asia it is essential that metropolitan capital allies itself with social classes in the periphery that stand to gain the plums from the sharing of the economic pie.² "The peripheral nation", according to James Petras, "contains classes of double nationality; state rule is shared with economic 'subjects' with external political allegiances." These 'liaison

groups' provide the entry points for political and economic influence within the periphery. The military and political elite of the Rightist regimes of South-East Asia form these social groups. They man the top institutions in the newly emerging state and have access to power and privilege. For cementing the relationships with interlocking classes—'national/bureaucratic/foreign/corporate'—the ideal organisational structure is provided by the 'export processing zone'. Manufacture is confined to 'moments' in the industrial process—a kind of fragmented industrialisation which envelopes not all stages of manufacture but one of several stages—component production or the final process only in the form of assembly units. This fragmentation of the industrial process makes external support for the completion of the manufacturing process a necessity and binds the national bourgeoisie in the Third World states with foreign capitalist classes in an interlocking relationship.

Maintaining this class alliance on firm foundations and widening its political base become an important consideration for imperial capital. Here the political leverage of a widely based 'intermediate strata' is significant. Class formation in Third World societies tends to be fluid and volatile, not definite as in developed social structures where class formation is based largely on production relations. In Third World societies there is a very large base of 'intermediate strata' rooted in the state structure. These are the functionaries that man the state bureaucratic and military structure. They do not own property and do not form the land-owning classes. Neither do they merely form a wage earning class selling their labour power to the state. Their class origins are not based on production relations. Since they are not firmly rooted in the class structure, their class allegiances tend to be volatile—veering towards the external imperialist centres for support, occasionally even veering towards the working classes when there is a mass upsurge. Standing to gain much more power and privilege with external support, the class alliance gets firmly interlocked in metropolitan-biased alliances. These should not appear too externally-oriented. For national legitimacy considerations, control must appear to lie with the Third World state.

The political form shaping the supportive state structure lies behind its apparent economic success. For the success of the EPZ experiment, the Third World state must be fashioned so that the institutional make-up and the interplay of class relationships within the state facilitate access to imperial capital.

Under such conditions the military emerges as the most suited political form.³ It represents force, stability, repression—ingredients capital requires for successful exploitation of the Third World state. Labour must be repressed and prevented from effective mobilisation so that it provides the best terms for metropolitan capital. In Chile the military junta went so far as to offer to pay part of the otherwise

starvation wages so that foreign capital could keep its costs down. In Andre Gunder Frank's terms "...this repressive political policy has very clear economic purposes and functions: to make these economies more competitive on the World market by lowering wages and to suppress those elements of the local bourgeoisie who are tied to the internal market." Since the objective of the state is the world market and a place for international capital, elements of the local bourgeoisie who oppose such policy will be forced to conform. Elements of the national bourgeoisie who press for restrictions on multinationals and for pure nationalisation will need to give way to repressive policies which will not tolerate such demands. Hence not only labour, but all opposition to the objective of subordination to international capital will be repressed.

Within such a framework the obstacles to imperial capital give way one by one, resulting in the enforcement of labour discipline, denationalisation and demobilisation of the populace. Cheap labour is the attraction for capital and hence exploitation and political repression become the foundation on which the success of these regimes is built.

Special repressive laws have to be enacted spanning the EPZ. Laws relating to low wage rates, curbing unionisation, limitation of strike action—a package of legislation generally more repressive than the national legislation is legalised for this special sector of activity.

On the other hand an elaborate military/police/bureaucratic apparatus assures the conditions for capital to thrive. The groups at the apex of the military/bureaucratic structure are most often trained at the metropolitan centres in order that they may have the correct ideological slant. The aid package in the form of project formulation assistance, budgeting and management training enables the formulation of a close fit in policy between the metropolitan centre and the Third World state. At the same time the outward trappings of democracy—a parliamentary system of government, elective policies, the multi-party system—give it an aura of legitimacy—attempting to provide what is sacred in Western-style democracy. In effect these trimmings are really a facade which veil a repressive political state, stifling all protest.

Hence military rule or a combination of military rule alternating with civil rule forms the common political process. Martial law and emergency rule often pervade to silence all opposition. Often opposition political leaders are imprisoned, and even assassinated. "The whole state apparatus has to be adapted to the Third World role in the international division of labour."⁴ South Korea and Taiwan typify such military regimes. In other cases—Singapore and Malaysia—there is a virtual erosion of democratic structures and a concentration of power in the executive—in all cases creating the conditions for a near police state.

South Korea is the ideal illustration of the so-called economic miracle where power resides 'in the barrel of the gun'. Democracy was at stake and the Kwangju student riots in 1980 were the outcome. The students pressed for liberal reform in what was an oppressive political set-up. All political parties remained dissolved for eight months after the riots. The politicians went the way of other democratic frills in Chun Doo Hwan's Korea. Eight hundred and eleven people—virtually every leading politician—were banned from political activity for eight years. Kim Dae Jung, tried under Martial Law, headed the blacklist. Kim Young Sam, placed under house arrest, resigned as chairman of the opposition New Democratic Party and was leaving politics. Kim Jong Phil, another prospective presidential candidate, was accused of corruption and he stepped down as head of the Democratic Republican Party. Chun Doo Hwan shows no signs of tolerating an effective opposition. At least 400 political opponents still remain in South Korean jails. The Legislative Council for National Security vets all politicians for public office.

Martial Law enforced after the Kwangju student riots was lifted only in January 1981. A midnight to 4 a.m. curfew dating from 1945 has been lifted only in January this year. South Korea has a blemished record of human rights violations. A military presence in the campuses stifles all signs of campus protest. Student leaders responsible for the Kwangju riots are among political prisoners not granted an amnesty. Student protest could lead to expulsion or conscription. The Ministry of Education has introduced ideology training for students and failure for a student to undergo such training could prejudice his chances of employment and bar his chances of higher education.

Press censorship is enforced and newspapers toe the government line of thinking. Witnesses are debarred from trial—the courts merely pronounce the verdict. South Korea has hardly any welfare schemes built into her economy.

Yet, as in all military regimes, there is an attempt to maintain the institutional structure of Western-style democracy without the spirit in which it can take root. A constitution has been pushed through which guaranteed a landslide victory for the President. A rubber stamp legislature and elective politics are democratic trappings thrown in for an appearance of legitimacy.

All opposition to the regime squashed, stability and order are maintained in the interests of foreign capital. The access points for US capital are carefully guarded. Chun Doo Hwan, the President, himself has had US military training. Most military men are American trained. US trained experts man the administration. Nam Duck Woo, the Prime Minister, is a Stanford trained economist.

Other vestiges of US influence are apparent everywhere. It is

reliably maintained that General John Wickham, commander of US forces in South Korea, has had a hand in the coup that brought Chun to power in 1979. The *New York Times*, in 1980, quoted an interview with an unnamed high ranking US officer, later confirmed by Chun as General Wickham, who said that the US might support Chun as President if he came to power legitimately. The US administration however did not admit it publicly.⁵

A democracy where political change is determined not by elective politics but by the Generals (through the coup), where the choice of candidate is determined by foreign intervention, where all opposition is snuffed out; in other words, is the negation of democracy the criterion for economic success?

A city-state constituting one large 'free trade zone'—Singapore—typifies the Third World state subordinating itself to metropolitan capital and creating a repressive state structure to further the interests of foreign capital.

Martial law has been lifted. It is a single party state with the PAP dominating politics since 1959.⁶ It is the only party represented in the state legislature. Power is concentrated in the hands of the executive. The Communist Party is outlawed. Campus protest is stifled. Student unions have been reconstituted to diffuse interest away from current political and social issues. Nanyang University has been closed down and union activity is debarred at Singapore's National University. All opposition quelled, the social system has the correct product mix for transnational capital to thrive.

Singapore is the favoured client state for imperial capital in South Asia, prostituting itself to the competing factions of US, Japanese and West German capital. The right to a 100 per cent foreign participation makes a mockery of national control. The freedom it allows in bringing components and equipment into the country is another attraction. In fact, Singapore's investment policy has driven out several small-time national businesses which find it impossible to compete on the same terms with transnational capital. In 1979, 78 per cent of investment comprised Japanese, US and European investment. Few linkages with the local economy exist. It may seem as if industry is using a larger proportion of local components in keeping with the new economic policy but the local components are bought off Japanese firms based in Singapore. Home-based foreign industry is a good mode of tariff barrier evasion. The Singapore label for Japanese-made goods makes use of Singapore quotas for EEC markets—depriving nationals of such use.

The state in Singapore, whilst mediating the interests of the business elite and foreign capital, treats the workers as inputs in the system. The worker is made to feel that he must serve the interests of the multinational which provides him with a job and a better living. He must not strike or clamour for higher wages. Wages are

controlled by the National Wages Council. The all-powerful PAP controls the labour unions—building its own power bases. The unions reflect PAP thinking and are not a means of defending workers' rights. Rather, unions have been warned that they would be smashed if they challenged the PAP leadership.

In a state which professes socialism, conditions for workers in the construction and ship-building industries leave much to be desired. Construction workers often sleep at the work sites. Malaysian immigrant labour, constituting 15 per cent of the labour force in 1981, is the worst paid and slots into the most difficult and dangerous jobs.

Government thinking on education policy reflects its single-mindedness of purpose in catering for the needs of corporate capital. The Goh Keng Swee report, with its emphasis on primary education for the bottom 20 per cent of the population, a primary-cum-secondary education for the next 20 per cent, siphons off a good proportion from the mainstream of education and provides good exploitation potential for corporate capital. This bottom stratum performs menial tasks on low wages. Heavily subsidised by the government, technical training of the Skills Development Board caters for the skill requirements of the multinationals.

However the very forces creating the miracle seem to have turned full circle. Fully dependent on Western investment, Singapore is highly vulnerable to recession in the West. High wage rates necessary for supplementing wages in the absence of a subsistence sector, no longer seem to be adequate. Inflation is fast eroding the wage advantage. High wages necessitating a changeover to a new industrial policy of high technological industry has resulted in the elimination of the small firm. Singapore's survival is maintained on higher doses of repression. As repression increases to keep the miracle working, Singapore may be faced with a spate of students' and workers' struggles as in 1974-75. As in Iran, repression may very well herald the breakup of the state.

The analogy with Iran forms an interesting analysis. The indigenous capitalisms in these Third World states are far from being an indigenous variety—it is a dependent capitalism complementary to and dependent on capitalism in the Western capitalist centres. Whilst industrialisation in the West forms high technology-based advanced industrial processes with policy decisions controlled at the metropolis, that of the peripheral regions constitutes a kind of low-technology complementary industrialisation highly dependent on Western centres for completion of the industrial processes and with control lying at the apex of the multinational structure at the imperial centres.

Moreover, these 'indigenous capitalisms' are often indigenous by way of geographical locus only, while the real power centres lie with the metropolises. The rapid growth sectors of these 'miracle' economies are the multinational-based industrial sectors where what

is classified as indigenous in national computations really reflect industries with major shares under external control. In general computations of national shares, a large proportion of multinational industries get computed in national statistics. In the so-called joint ventures, local control is often confined to subordinate relationships of nominal stockholding by national 'frontmen' as in Mexico, or national stock ownership without management prerogatives as in Chile, where major policy decisions affecting profits, investment, areas of operation are vested with the Western counterpart. Iran in the 1970's showed the dangers of dependent capitalism. Once American capital was made to leave, the industrial framework crumbled. History may repeat itself in these capitalist dependencies.

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Colombo-based Sri Lankan writer on
problems of imperialism and underdevelopment.

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- 4 *Ibid.*
- 5 *Newsweek*, May 26, 1980; August 25, 1980; September 15, 1980; October 6, 1980; November 10, 1980; November 24, 1980; January 18, 1982; March 22, 1982.
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STUDENTS CONCESSION

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What the Bihar Press Bill Means

THE BIHAR PRESS BILL denotes such a fierce onslaught on the freedom of expression by the entrenched ruling class in power that it has justifiably evoked one of the strongest mass responses in recent times. Ever since it was passed by the Bihar Assembly on July 31, 1982, in the course of just five minutes, the response against this Bill has been strong, popular and prompt and is still continuing. The opposition to the Bill, first begun by journalists, has by now substantially broadened to include almost all the Opposition parties, trade unions and organisations of teachers, lawyers, students, youth and middle class employees. Newsmen themselves, both journalists and non-journalists, together struck work on September 3, 1982, in protest against the Bill; it was the most successful strike that the newspaper industry has ever witnessed and that, too, on a nation-wide basis on a non-economic demand. This was followed on September 10 by a massive Bihar *bandh*. Both preceding and following these actions there have been a number of *bandhs* in individual cities and towns and innumerable demonstrations, processions and meetings, with journalists in a number of States as well as in the Capital walking out of the Assemblies and Parliamentary reporting galleries in an act of boycott of the proceedings.¹ On October 21, the first ever march to Parliament was staged by journalists against the Bihar Press Bill.

The question that arises is: in the face of such a massive protest why has the ruling Congress (I) party in Bihar and at the Centre sought so indefatigably to defend the Bihar Press Bill? What moreover are the reasons for the broad-based upsurge against it? In this note an attempt will be made to answer both these questions as also to discuss the implications of the Bihar Press Bill. But before we proceed further, a brief historical account of the evolution of censorship laws in India may be in order.

The first act of interference in the functioning of the press dates back to 1782 when an English editor, Hickey, came into clash with and was imprisoned by Warren Hastings in Bengal. By 1823, the nascent Indian press began to earn the ire of the British rulers and from then till Independence the evolving censorship laws became increasingly coercive, with only brief periods of reprieve during this long spell of colonial rule. Following the partition of Bengal, the Newspapers (Incitement to Offences) Act 1908 was enacted; there was a further tightening in 1910 in the form of the Indian Press Act which made criticism of the Government virtually impossible, besides labelling as seditious writings against the princes, judges, former officers

and public servants. This Act was ruthlessly enforced during the First World War, as a result of which 350 printing presses and 400 publications were penalised, with securities collected amounting to more than £ 40,000.

In 1919, the Government armed itself with extraordinary powers under the Rowlatt Act to control the press, to detain people and to try persons without a jury. It was against these laws that Gandhi launched a countrywide civil disobedience movement. Unable to cope with the growing freedom struggle, the colonial rulers resorted to yet greater coercion through the enactment of the Indian Press (Emergency Powers) Act 1931, which was so sweeping in its scope that a virtual reign of terror was inaugurated in the country. This law remained in force till the outbreak of the Second World War in 1939 when it was superseded by the Defence of India Act. The Press Laws Inquiry Committee in 1948 investigated the 1931 Act and recommended that "in our judgment the retention of this Act on the statute book would be an anachronism after the establishment of a democratic State in India".

Yet, despite this recommendation, C Rajagopalachari, the then Home Minister, introduced on August 31, 1951, the Press (Objectionable Matters) Bill, 1951, with the avowed object of dealing with incitement to violence, sabotage and certain other grave offences as well as the publication of scurrilous matters. The Bill was enacted into law in October 1951, and was to be of two years' duration. In 1954, the Act was extended for another two years and it finally lapsed in 1956.

The real reasons for the 1951 Act were that the Congress party, which itself had spearheaded the civil disobedience movement, was greatly unsettled by the tumultuous upsurges beginning with the mutiny in the Royal Indian Navy in 1946, followed by extensive strikes and peasant movements, and culminating in the Telengana people's armed struggle. Even then, the Act that the Government had enacted by drawing upon the legacy of the colonial coercive laws was envisaged to be of *limited* duration.

Since then, apart from Jammu and Kashmir and, now Bihar, only Tamil Nadu in 1960 and Orissa in 1962 enacted laws to control the press. The fact that scarcely any case has come to public notice of the implementation of these laws after their enactment indicates that they may never even have been used. There was, of course, also little or no protest against these laws at the time of their enactment which does show that the state of awareness against them was not as high as today. Today's perceptions of the pernicious consequences of these laws have been moulded and sharpened by the traumatic experience of the Emergency press laws and the vindictive manner in which politicians occupying positions of power in recent years have misutilised these positions to attack the press.²

The two pillars on which the Emergency edifice rested were the

press censorship laws and the Maintenance of Internal Security Act. Under the latter, any person could be detained without trial and under the former it was forbidden, among other things, to write about it. The press censorship laws consisted of the imposition of pre-censorship and censorship guidelines from the very first day of the Emergency, followed by the promulgation of an Ordinance meant to institutionalise the guidelines, which was later enacted as the Prevention of Publication of Objectionable Matters Act in 1976. Under the Act, editors and publishers were expected themselves to practise a form of self-censorship in accordance with the provisions of the Act. Pre-censorship formed an adjunct to the earlier guidelines and to the later Act inasmuch as when a doubt existed as to whether the provisions of the Act were being transgressed or not, it was incumbent on the editor or publisher to submit such matter to the censor for approval or rejection. Of course, in certain cases the question of following this practice did not arise at all, because the censor officer would physically sit in the newspaper office virtually vetting all the matter intended for publication. Transgression of the provisions of the Act beyond a certain point would bring swift and sure imprisonment and none dared then to break this law. The Prevention of Publication of Objectionable Matters Act, moreover, had also at the time of its enactment been placed in the Ninth Schedule of the Constitution so that it was put beyond the pale of challenge in any court. It was only with the coming to power of the Janata government in 1977 that this obnoxious law was finally repealed.

It was only 11 years after the enactment of the Tamil Nadu law, when the AIADMK government of M G Ramachandran effected an amendment to it in 1981 to increase the punishment under Section 292-A as also to make the offence cognizable and non-bailable, that public attention was, for the first time, focussed on the existing statutes to curb the press. The only motive that the ruling party in Tamil Nadu had for amending the Act to make it more stringent was to deal effectively with political opponents.³ The Act is now under challenge in the Supreme Court, but it provided the inspiration and justification for the Bihar Press Bill by the Jagannath Mishra government in Bihar.

Implications of the Bihar Bill

The Bihar Press Bill has come to be known as such in popular parlance although its real title is The Indian Penal Code and the Code of Criminal Procedure (Bihar Amendment) Bill 1982. This Bill has amended Section 292 of the Indian Penal Code so as to insert a fresh "Section 292-A" by which a new offence—scurrilous writing—has been created in the State of Bihar. The Bill has also amended Section 455(1) of the Code of Criminal Procedure to make the new offence both cognizable and non-bailable in Bihar against which *any* magistrate, executive (which includes police) or judicial, can initiate action. The

mischievous of the second amendment is that a police officer will be able to take cognizance of the new offence and put the concerned person in jail. Opinion varies, but one authority⁴ has maintained that when this amendment is read with the other amendments earlier effected to the Code of Criminal Procedure in Bihar, then an accused person can be imprisoned for a duration of as long as 180 days before a charge-sheet is even framed against him.

Section 292-A has made the printing of "grossly indecent or scurrilous matter or matters intended for blackmail" an offence. This applies to news items, articles, photographs and even advertisements—that is, anything that can be printed in a newspaper. Those connected with the activities of publication, writing, printing, circulation, sale, hire, purchase or those who have a business interest in any of these activities, or even merely possess such matter will be regarded as offenders under this amendment. The punishment on first conviction will extend to imprisonment of either description for a term of upto two years or fine or both. For a second or subsequent conviction, the punishment can extend to imprisonment of either description upto five years and also with fine, with the court being obliged to impose a minimum sentence of not less than six months' imprisonment in this instance.

The proposed offence under Section 292-A of "grossly indecent or scurrilous matter or matters intended for blackmail" has also extended the definition of the term "scurrilous", which usually means grossly abusive or indecently reproachful, to include "any matter which is *likely* to be injurious to morality or is *calculated* to injure any person" (emphasis added). This has so enlarged the scope of the term that almost any writing not to the liking of those in power can be brought within its ambit. Moreover, the terms "likely to be injurious to morality", "calculated to injure any person" and "blackmail" have been left vague and are prone to gross misinterpretation. Thus to expose truthfully the misdeeds of a Minister indulging in corrupt practices or of high officials responsible for fanning communal tension can be interpreted as being "calculated" or "likely" to injure a person or morality. An explanation provided in the Bill that it will not be deemed to be scurrilous to write about a public servant insofar as it is in relation to his public conduct, is far too limited in scope. A police officer who provides protection to a gang of smugglers or a Minister in the pay of foreign monopolists are matters of public concern that a vigilant press needs to expose, even though the surreptitious behaviour of such individuals might not as yet have become openly manifest in their public conduct. But because of these vague and loose terms introduced by Section 292-A it will be virtually impermissible for journalists to expose honestly any of the misdeeds of the authority.

Although the Bihar Press Bill also contains a provision that no court can take cognizance of an offence unless sanctioned by the State

government, this will be of little comfort to the journalist when the complainant himself turns out to be an important personage in the State government. The possibility itself of such persons turning complainants will be a deterrent to the free functioning of the press. And since any person connected with the printing of scurrilous matter or even in the possession of it can be jailed, it will be sufficient to imprison only a few newspaper vendors for a few days to ensure that no person dare circulate the newspaper that has been so marked out for exemplary treatment. Thus the entire Section 292-A is pregnant with mischief.

This mischief is compounded by the fact that the amendment to Section 455(1) of the Code of Criminal Procedure has given a virtual blanket permission to the executive (or police) magistrate to arrest any person without a warrant. This sweeping amendment at one stroke sets out to obliterate the carefully delineated lines of the Constitution that the executive and the judiciary shall be kept separate. Article 50 of the Constitution states: "The State shall take steps to separate the judiciary from the executive in the public services of the State." Article 50 falls within the Directive Principles of State Policy "which are fundamental in the governance of the country" and the Constitution enjoins that "it shall be the duty of the State to apply these principles in making law." It is to this end that the Code of Criminal Procedure 1973 was enacted to bring about uniformity of the judicial process in all the States. According to this enactment, all judicial magistrates are appointed by the High Court of the concerned State and are subordinate to the Chief Judicial Magistrates, who are themselves answerable to the Sessions Judge. What the Bihar Press Bill seeks to do is to vest the powers of the judicial magistrate in the executive magistrate, an appointee of the State government.

This amendment is, therefore, not only undemocratic, but calculated to lead to a police *raj* over the press. Not only will the police officer, who has no sense of decency, be made the willing tool of the executive, but what is equally dangerous, he may be tempted to use independently the vast powers that are sought to be conferred on him for his own ends that can include revenge and vendetta.

Constitutional Validity

In appraising the Constitutional validity of the Bihar Press Bill two aspects will have to be taken into consideration. First, Article 19(1)(a) of the Constitution (Fundamental Rights) states: "All citizens shall have the right to freedom of speech and expression." But a State Legislature may impose "reasonable restrictions"⁵ on this right, provided they are "in the interest of the sovereignty and integrity of India, the security of the State, friendly relations with foreign States, public order, decency or morality, or in relation to

contempt of court, defamation or incitement to an offence.”⁶ Since the Bihar Press Bill seeks to place restrictions on the grounds of public order, decency or morality and defamation, it will have to justify why these restrictions are at all *necessary* when the Indian Penal Code already contains adequate provisions to deal with these offences.

Second, Section 292-A has created a new offence in Bihar, whereas this is not the case in most of the other States. Thus the Bihar government will have to prove that the intended restrictions are *reasonable*, because under the proposed Section 292-A a publication brought out outside Bihar, where it is deemed to be innocent, will be considered to be an offence inside Bihar. There is no “reasonable” ground for Bihar to enjoy this special position which would militate against the principle of the integrity of India. To accord the Bihar Press Bill such a status would violate Article 14 of the Constitution which guarantees equality before the law. The Bihar Press Bill, therefore, is unconstitutional on both grounds.

The unreasonableness of the Bihar Press Bill can be gauged from the fact that it was never put to public debate and was introduced in spite of the opposition of 45 members of the Congress (I) Legislature Party in Bihar who wanted Indira Gandhi to be first consulted about it after her return from the United States in early August. This of course might not have made any difference; the events that have transpired since the adoption of the Bill suggest that the central Congress (I) leadership was in the know of things. Indeed, from the manner in which Indira Gandhi and her aides have since defended⁷ the Bill it would appear that the Bill also had their prior approval. This may well have been the reason why the Bihar Chief Minister, Jagannath Mishra, was emboldened to have the Bill introduced, rushed through three readings and adopted in the course of just five minutes in the Bihar Assembly on July 31, 1982. But what neither Mishra nor Indira Gandhi reckoned with was that this would mark the prelude to a mass upsurge against the Bihar Press Bill that continues unabated till today.

Other Repressive Measures

It would be wrong to view the Bihar Press Bill as an isolated or aberrant phenomenon. Other events have taken place which suggest that when various measures are brought together in a complex, the combined effect of these can be a devastating one on the free functioning of the press and the democratic fibre of the country. Two such measures that have drawn less public attention than the Bihar Press Bill, but which are equally repressive in content, are the Orissa government's policy on granting advertisements as contained in its gazette notification of July 27, 1982, and the Bill introduced in the Lok Sabha on August 13, 1982, to amend Section 26 of the Indian Post

Office Act of 1898.

The Orissa government's advertisement policy strikes at the very basis of a newspaper's existence. No newspaper can survive without government patronage in the form of advertisements—such is the economics of running a newspaper. Knowing this full well, the Orissa government has devised a policy of discrimination such that its advertisements would be released "in pursuance of the broader social objectives of the Government", whatever that means. Advertisements would also be withheld from newspapers that "disregard journalistic ethics". Just as in the Bihar Press Bill, disregard has been defined in vague and extended term: "Baseless, motivated or scurrilous or obscene reports and comments, reports imputing to a person statements he or she has not made, reports or comments designed to affect communal harmony or national integration or preach lawlessness or violence or affect the sovereignty or integrity of India, reports repugnant to socially accepted norms or public decency"—all these constitute transgressions for which advertisements can be cut off. And in a final bid to discipline the press, even the non-publication of government press notes, handouts and communiques or their publication in a "mutilated or tendentious manner" will lead to the cessation of governmental advertising patronage. Thus the entire thrust of the gazette notification is that only a sychophantic press will be tolerated.

The other measure, to amend the Indian Post Office Act, is so sweeping in nature that no person's privacy can be guaranteed once the Bill goes on the statute book. The amending Bill seeks to confer on the government the power to intercept an individual's mail on the "occurrence of any public emergency or in the interest of public safety or tranquility". Under this Bill, the Central or State governments may intercept and dispose of any postal article. This Bill resurrects the worst features of censorship as was practised by the English colonialists in India when they felt their rule was endangered by the national movement.

Conclusion

The various measures passed by the Central government (ESMA, NSA) and the State governments (Bihar Press Bill, Orissa advertising policy) since the return of Indira Gandhi to power together add up to formidable arsenal at the disposal of any authoritarian person, party or government.

Responsible writing elsewhere has already adequately commented upon and analysed the deepening economic crisis that this country is facing as a result of pursuing present policies. It is, therefore, not necessary to go into this question here. As the crisis unfolds, the forces of authoritarianism will make their targets the democratic institutions and democratic values of life. And the first among these

targets will be the press. The Emergency consisted in essence of gagging the press and arming the executive with draconian powers of arrest without trial. It is a matter for open discussion whether the second measure would have been successful if the first measure had not been simultaneously imposed. The fight to retain the freedom of the press, therefore, is not an abstract concept in which absolute freedom for the press is sought. In that sense of the term, no press in any country is absolutely free. Every press is connected with certain classes and propagates the ideology of the class it represents. The bourgeois press represents the bourgeois ideology just as the proletarian press represents the inherent values and aspirations of the working class. But it is in the interests of the people to safeguard whatever limited democratic institutions and freedoms exist, of which the freedom of the press with all its inadequacies forms an important component,

There can be no doubt that the constant exposures in the press of the misdeeds of corrupt politicians, officials and businessmen in Bihar have earned the ire of the Congress (I) leadership in the State and at the Centre. Because they have perceived that such exposures form an important adjunct to the democratic movement, which in turn endangers their perpetuation in power, they have enacted such a draconian piece of legislation as the Bihar Press Bill and continue to defend it indefatigably.

By the same token, the movement against the Bihar Press Bill has both grown in intensity and encompassed every section of the people, who increasingly realise that the fight for the freedom of expression is an inherent part of their democratic struggles and aspirations. With the lessons of the Emergency by now well learnt, there is no section of democratic opinion that does not realise that the Bihar Press Bill is one measure aimed at ushering in the Emergency through the back door. How successful the forces of authoritarianism will be in this effort will depend on the strength of the democratic movement and the support extended by the mass organisations to the struggle of the journalists against what has almost universally come to be called the Black Bihar Press Bill.

CHITTARANJAN ALVA*

- 1 On the day that the journalists decided to boycott the question hour in the West Bengal Assembly to protest against the Bihar Press Bill, the Left Front government itself moved that the House be adjourned, in an act of solidarity with the cause of journalists.
- 2 In a number of Congress (I)-ruled States, a series of attacks have taken place against the press. Gundu Rao, Congress (I) Chief Minister of Karnataka, allowed the blockade of three Bangalore newspapers to be organised by the

*Former Secretary, Indian Federation of Working Journalists.

youth wing of his party in September 1980, because they had reported some of his remarks verbatim. He and A R Antulay, a former Congress (I) Chief Minister of Maharashtra, later described journalists as "dogs". Another former Congress (I) Chief Minister in Andhra Pradesh, T Anjiah, threatened to jail a correspondent at a press conference for having made an assessment of the success of the all-India strike called on January 19, 1982, by the National Campaign Committee of eight central trade unions. In the Congress (I)-ruled State of Orissa, the wife of a journalist was murdered in 1980 because her husband had been exposing certain misdeeds of the government. Another journalist in Orissa was handcuffed and paraded through a town for the same reason. Moin Ansari, convenor of the All-India Urdu Press Correspondents' Association, has charged that threats and inducements were used by the Congress (I) government in Bihar to see that some newspapers came out on September 3, 1982, the day of the all-India newspapers strike against the Bihar Press Bill. The Bihar Public Relations Directorate, for one, threatened newspapers with the stoppage of advertisements if they decided to close on that day. A day before the strike, a Jamshedpur-based journalist was arrested at Ghatsila because he happened to be the convenor of the *ad hoc* committee against the Bihar Press Bill, and was kept in jail handcuffed and tied throughout the night and produced in this state before the court next morning for bail. On September 23, a senior journalist in Ranchi, D P Dasgupta, and his family were injured when a group of armed miscreants of the Congress (I) raided his house and attacked them. These are only some of the overt instances of interference in the functioning of the press that have taken place over the last three years. There are more such instances documented by the various State units of the Indian Federation of Working Journalists, with the number of covert attempts at interference, being anybody's guess.

- 3 Among the charges made against the Tamil Nadu government for amending the Act are that Rs. 17.50 crores had changed hands at the time of issuing liquor licences to vested interests from outside the State. The Ordinance to amend the Act was issued as a pre-emptive measure in September 1981, when it was feared that this charge, contained in a memorandum of 22 Tamil Nadu M Ps to the Prime Minister, might gain currency in the press. See *India Today*, September 30, 1982. Since then the Tamil Nadu government has set up an advisory committee, in the wake of the agitation against the Tamil Nadu Act and the Bihar Press Bill, to examine in depth the implications of Section 292-A. At its meeting on October 30, all the representatives of the press, except one, demanded that the entire Section 292-A should be repealed.
- 4 The former Solicitor-General of India, Soli Sorabjee's written opinion on the Bihar Press Bill submitted to the Editors' Guild of India, as reproduced in *The Economic Times* (New Delhi), October 10 and 11, 1982.
- 5 Constitution 1st Amendment Act 1951.
- 6 Constitution 1st Amendment Act 1951 and Constitution 16th Amendment Act 1963.
- 7 On September 1, 1982, the Prime Minister told a meeting in Lucknow that the movement launched by journalists against the Bihar Press Bill was "bogus" and that she would not advise the President to withhold assent, on the ground that such assent had already been given to the Tamil Nadu and Orissa Bills. A week later, on September 7, the new Information and Broadcasting Minister, N K P Salve, told a meeting in Nagpur that the Prime Minister had spoken out of "disgust", without elaborating with whom or what she was disgusted. Salve also said that he found nothing objectionable in the Bill and did not consider the "storm" to be raised over it by the journalists to be justified. On October 4, the Prime Minister told the Rajya

Sabha that her remarks had been quoted out of context and that she had not even read the Bihar Press Bill. She however refused to give any assurance that the government would not recommend the Bihar Press Bill for assent by the President. On October 20, Salve told Parliament that the Bill would be sent to the President for assent only after he had conducted a dialogue with the representatives of organisations of journalists and newspapers. But he rejected the demand for the withdrawal of the Bill. At the first such dialogue that he conducted on October 29, Salve is understood to have made it clear that there was no question of withdrawing the Bill, although there was scope for amending some of its provisions.

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Hospitals and Other Institutions (Settlement of Disputes) Bill, 1982

ON THE PLEA that hospitals and educational, scientific, research and training institutions have a "special character of their own", undefined except in that it requires the maintenance of "an atmosphere that eschews strife and conflicts", the Hospitals and Other Institutions Bill seeks to justify the exclusion of such institutions from the definition of the term 'industry' achieved with the passing of the Industrial Disputes (Amendment) Bill earlier this year. That this 'special character' is no indication of the government's appreciation of the special nature of the 'services' being rendered to society by such institutions is evident from the contents of the Bill.

The Bill strikes at the very root of the principle of collective bargaining, denying all legitimate trade union activity in universities, colleges, research institutions, hospitals, institutions engaged in "any charitable, social or philanthropic service", in Khadi and village industries and in "any activity of the government... dealing with defence research, atomic energy and space" [Clause 1(4)]. It is not just strikes, *gheraos*, go-slow and work-to-rule which are to be banned for lakhs of people ("workmen" in the terminology of the Bill). The Bill prohibits "any other form of cessation or retardation of work" [Clause 19(1)]. What constitutes "cessation or retardation" of work is deliberately kept vague, providing employers with arbitrary powers for forcing employees into submission. At the collective level, even meetings of workers, let alone mass deputations or demonstrations, could be interpreted as constituting such "cessation or retardation". Full scope is provided for victimisation of individual employees as even an inadvertant delay in returning from a lunch or tea break could qualify as a "retardation of work".

The Bill is not merely concerned with proscribing all forms of protest for employees on the pay rolls of the institution. Its scope extends, through the definition of the term "workman", to include "for the purposes of any proceedings under this Act in relation to any dispute, ... any such person who has been dismissed, discharged or retrenched in connection with, or as a consequence of, that dispute, or whose dismissal, discharge or retrenchment has led to that dispute" [Clause 3(0)]. Thus, even an individual hunger strike or *dharna* to draw attention to an injustice suffered would render a discharged or retrenched employee vulnerable to punishment under the provisions of the Bill. Prohibiting even such accepted Gandhian tactics on the one hand, while denying the right to take recourse to

the law courts on the other ["save on a complaint made by or under the authority of the appropriate government"—Clause 21(1)], ensures that the employee is delivered, bound hand and foot, before the Grievance Settlement machinery provided for in the Bill.

The repressive character of the Bill is concretely evident in the heavy punishment awaiting "workmen" found guilty of violating its provisions—upto six months' imprisonment and/or Rs.5,000 fine [Clause 20(2)]. The 'impartiality' claimed by the framers of the Bill in advocating the same punishment for the employers is farcical. Apart from the fact that few employers would require to violate the clauses of such a handy Bill, the fine is a miniscule sum for an employer, while Clauses 21 and 22 provide sufficient opportunity for implicating managerial and supervisory staff as scapegoats. [Although such staff are paid employees, they are distinguished from "workmen" both by the nature of their function and by their being in the salary bracket of Rs.1,600 and above per mensem [Clause 3(0)iii and iv]. If however it can be proved by the implicated official that "the offence was committed without his knowledge or that he exercised all due diligence to prevent the commission of such offence" [Clause 22 (1)], he would not be liable for punishment. The final protection for erring employers and the administrators is provided by Clause 25 which states that "no suit, prosecution or other legal proceeding shall lie against any person for anything which is *in good faith* done or intended to be done in pursuance of this Act." No such leniency for inadvertent violation of the Bill or opportunity for establishing their 'good faith' is available to the 'workmen'. Nor is this omission inadvertent. Its significance emerges in the context of the withdrawal of the conventional democratic forms of protection for the 'workmen'—unionisation and the recourse to the law courts.

The Grievance Settlement machinery operationalises this anti-'workman' attitude and is heavily loaded in favour of the employers. The First and Second Schedules of the Bill divide disputes into the categories of the "individual" and the "industrial" respectively. The former includes disputes with respect to termination (including dismissal, discharge and retrenchment), suspension, money or computed benefit due from the employer, terms of employment and conditions of labour. The latter deals with disputes concerning wages (period and mode of payment), compensatory and other allowances, hours of work and rest intervals, leave with pay and holidays, medical and superannuation benefits. For both categories the process is lengthy, giving ample opportunity for delaying tactics on the part of the employer who frames the regulations and procedures to be followed and whose representatives are the chairmen of the committees at all levels. Settlement of the individual disputes must first be attempted on regulations laid down by the employer, failing which they can be taken up by the Grievance Settlement Committee. Arbitration is

possible after this only if the "workman" is not, "immediately after the commencement of any disciplinary action against him, given an option in the prescribed manner to be governed by the provisions of any classification, control and appeal rules in force in the establishment" [Clause 12(4)]. Industrial disputes must be referred first to the Local Consultative Council, then to the Consultative Council, and only if a "fair and amicable settlement" is not arrived at there, do they come up for arbitration [Clause 13(4)]. Throughout this period the employer's disputed order remains effective.

The facade of impartiality is sought to be maintained by having an equal number of representatives of employers and 'workmen' at all levels, but once again this proves to be totally illusory. Whereas the employers can freely nominate their representatives, the representatives of the 'workmen' can only be selected from 'recognised' trade unions according to norms laid down by such unions. The conditions of recognition laid down by the Bill deny 'workmen' the right to choose freely their union leaders. Clause 2 (d) withholds recognition from unions which have even one office-bearer who is not a 'workman' of the institution. Further, Clause 2(c), requiring a minimum registered membership of 30 per cent of workmen in the establishment before recognition can be granted, lays the basis for Clause 9 envisaging recognition of upto three unions. Thus the Bill provides amply for setting up 'stooge' unions to neutralise the effect of 'equal' representation of 'workmen' at various levels of settlement.

As a final touch, the arbitration board, composed of a government approved 'independent' person as chairman, and one representative each of the employers and the 'workmen' can arrive at a "majority decision" [Clause 13 (9)] which will be final for the parties to the dispute! As if this were not sufficient guarantee of the nature of the awards that would be forthcoming, the "appropriate government" is empowered to "make an order rejecting or modifying such award" [Clause 17 (3)].

The Hospitals and Other Institutions Bill is clearly reflective of the anti-democratic nature of the ruling class strategy for the 'development' of the country. This cuts across apparent differences among the ruling class parties and accounts for the nauseating similarity of the prescriptions made through policy statements and legislative initiatives of these parties when they come to power. Distinguishing sharply among themselves as they struggle for control over the governmental apparatus, their commonness of approach is clear once they come to power. This Bill is a particularly illuminating example, as even the terminology of the present Congress (I) piloted Bill is reminiscent of the Hospital and Educational Institutions Bill brought before Parliament by Morarji Desai's Janata government in 1978.

The prejudicial class bias of the Bill is undisguised. Even a

dispassionate study of the history of workers' struggles and of the course of the trade union movement in India, shows that the overwhelming majority of protest actions has originated not because of the intransigence of the workers but because of the failure of the employers, whether individual capitalists or the government, to implement the agreements arrived at with the workers. Instead of taking steps to remedy this root cause of "strifes and conflicts", the ruling classes are concentrating their efforts on the forcible maintenance of 'peace' to help the employers to perpetuate conditions of misery and exploitation.

M P

10 - VOLUME INDEX

SOCIAL SCIENTIST completes 10 volumes with December 1982 issue. January 1983 issue of the journal will include a supplement of index of all the articles published in SOCIAL SCIENTIST from 1972 onwards.

COMMUNICATION

The Indian National Question: Need for Deeper Study

PROFESSOR AMALENDU GUHA's paper (*Economic and Political Weekly*, July 31, 1982) gives what the author claims to be "A Conceptual Frame" for the discussion of the question of Nationalities in India.

It exposes the two mistakes originating from opposite ends: (a) considering India as a whole to be the 'nation', negating the multinational character of the country; and (b) absolutising the multinational character, or negating the unity, of the country as a whole. The author, going in detail into the story of how the British colonialists changed Indian society, proceeds as follows:

Put into the melting pot of colonial oppression, the diverse ethnic elements came closer to each other than in pre-British times. A process of bourgeois class formation, transcending barriers of caste, religion and tribe started. ... There appeared simultaneously two streams of national consciousness—one pan-Indian and the other regional. The former was professedly based on observed pan-Indian homogeneities of culture such as a common all-India tradition and history, economic life and psychological make-up, and the accepted unifying role of Sanskrit, Persian, English and Hindustani by turn and also calculations of advantages of an India-wide market. The other consciousness was professedly based on the relevant region's homogeneities and demands for substantial or exclusive control by the sons of the soil for its resources and market facilities.

India's national movement, the author goes on, is a combination of these two streams. The same people—collectively as well as individually—are conscious of their being *Indian* citizens as well as citizens of their own particular linguistic-cultural region. By the time the millions of peasants were brought into the stream of the national movement in the beginning of the present century, the two trends had acquired a well-defined character.

From this arose the two political ideologies and slogans: (1) a

unitary Indian state and (ii) separation of the various linguistic-cultural groups from India to form independent states.

The latter was given a distorted form when the Hindus and Muslims formed themselves into opposing political groups and started fighting within the freedom movement. This culminated in the partition of India, the formation of the Indian Union and Pakistan, on the basis of an acceptance in practice, though not in theory, of the 'two-nation' concept of the Muslim League.

In this general background, the author examines the stand adopted by the Indian Marxists towards the question of nationalities in India. Reference is made to some Soviet academicians, like A M Dyakov, who have made painstaking studies of the question. Note is taken of the serious debate in the Indian Communist movement—in the undivided CPI and subsequently in the CPI (M)—on the relevance of the Leninist slogan of self-determination to the point of secession. The amendments made by the CPI (M) to its Programme at the Ninth Congress and other documents of the Party are quoted to prove that Indian Marxists are working for the unity of India under a genuinely federal setup.

While assessing the development of the national movement directed against the British colonialists, and the Indian Marxists' approach, the author examines the process through which "regionalised communities of culture" developed and "were found in crystallised units immediately before British conquest". Specific mention is made of Maharashtra, Punjab (Sikhs), Assam and Kerala, among the regions where such "communities of culture" were crystallised. Concerning the last, *The National Question in Kerala* by the present writer, published in 1952, is mentioned to controvert the idea contained in the book that the people of Kerala had begun to develop as "a nation" in pre-British times. "A mere community of culture", the author holds, "should not be mistaken for a nationality or a nation in the making".

The above conclusions are in general acceptable. Let us make it particularly clear that the formulations made in the 1952 publication on Kerala do suffer from serious drawbacks. We however desire to point out that Professor Guha's own formulations leave some gaps to be filled and mistakes to be rectified.

Professor Guha makes a valid distinction between "regionalised communities of culture" which emerged in pre-British days and the nationalities that have been developing in the struggle against the British rulers. The former do not come under the category of nationalities or nations in the making, since the formation of nationalities is a phenomenon which makes its appearance only along with capitalist development.

This however does not answer the relevant question as to why the "regionalised communities of culture" started developing in the

couple of centuries before the British conquest and, why, having emerged as distinct social-cultural entities, these communities failed to develop into nationalities or nations as they did in Europe.

It is one thing to object to the way in which the emergence of the "regionalised communities of culture" of the pre-British days was confused with "nations in the making", as was done in the 1952 book on Kerala. It is quite another to fail to note the integral connection between the earlier "communities of culture" and the later nationalities or nations in the making. Professor Guha fails to go into this question and therefore his study of the development of nationalities in India is inadequate for a proper understanding of the question.

This inadequacy arises from the fact that Professor Guha does not examine the development of capitalism in India in its historical context. It would appear as if there was no capitalism at all before the British conquest, as if it is a product purely of British rule.

Connected with this, it seems to the writer, is a mechanical understanding of the link between the development of capitalist economy and the emergence of nationalities and nations. The assumption seems to be that linguistic-cultural development can be ignored as a fact in the development of the national movement until the economic forces of capitalism attain maturity.

This assumption is neglected by the very reference made by Professor Guha to Lenin's writing, where Lenin points out that at least in one country (Poland), *the nationalism of the gentry precedes that of the bourgeoisie* and finally becomes *the nationalism of the peasant masses*.

India's own national movement travelled the same path: (1) *Nationalism of the gentry* beginning with the Velu Thampy revolt in Travancore and similar revolts in other regions ending with the Mutiny and Revolt of 1857 in Delhi, U P, etc; (2) *Nationalism of the bourgeoisie* expressing itself in the liberal politics of the Congress up to 1906-07; (3) *Nationalism of the peasantry* beginning with the 'extremist' politics of the pre-First World War years and developing with the Gandhi-Nehru era.

It should however be noted that the very gentry who revolted against the alien rulers after they established themselves, had earlier collaborated with the Portuguese, Dutch, French, and English companies when they were fighting among themselves. There are, in fact, cases in which the same persons who had earlier collaborated with the foreign powers as allies in the struggle against their local rivals, took up the banner of revolt after the foreigners established themselves as rulers.

No study of the growth of nationalities in India would be complete and correct unless the objective forces working towards the earlier collaboration and the subsequent revolt of the gentry in the period of foreign conquest are studied. This means relating the

emergence of the modern national movement to the development of society in the entire past, including in the ancient and medieval periods.

It should be noted in this context that though lagging behind Europe in the industrial and technological revolution that ushered in capitalism, India had to its credit enormous development of *commercial* and *money-lending* capital before the British and other European companies came.

Among the financiers of the European companies as well as of Mughal Emperors and their feudal subordinates in their mutual conflicts and wars, were the money-lenders belonging to certain well-known families, while the Indian traders acted as the importing and exporting agents of the European companies.

India at that time appears to have been in no way behind any European country in the matter of the development of commercial and money-lending capital. It was in the transformation of the commercial and money-lending into industrial capital that she lagged behind.

Marx and Engels catalogued as follows the transformation made by the bourgeoisie first in Europe and then in the whole world:

The subjugation of the forces of nature, the invention of machinery, the application of chemistry to industry and agriculture, steamships, railway, electric telegraph, the clearing of whole continents for cultivation, the making of navigable waterways, huge populations springing up as if by magic out of the earth. What earlier generations had the remotest inkling that such productive power slumbered within the womb of associated labour?

The Indian counterparts of the European bourgeoisie obviously lagged behind at this stage of development. The question is: wherefrom came this lag?

To answer this question, one should go to Engels who brought out the inseparable connection between ancient slavery and modern socialism:

It was slavery that first made possible the division of labour between agriculture and industry on a large scale, and thereby also Hellenism, the flowering of the ancient world. Without slavery, no Roman Empire. But without the basis laid by Grecian culture and the Roman Empire, also no modern Europe. We should never forget that our whole economic, political and intellectual development pre-supposes a set of things in which slavery was as necessary as it was universally recognised. In this sense we are entitled to say: without the slavery of antiquity, no modern socialism.

The development of society in India was different from this.

The slave society of the type that emerged in ancient Europe did not take roots here. Not because, as our chauvinists would have us believe, the Indians are more humane than the ancient Greeks or Romans, but because the breakup of the ancient—primitive communist or tribal—society took place here in a way different from that in Greece and Rome.

The division of society into the exploiters and the exploited assumed here a form which in a way covered up the reality of exploitation. It was not into the minority of the owners and the majority of slaves but into the three *varnas*—the Kshatriya, the Brahmana and the Vis—that society came to be divided first. It was the Vis that came to be divided into the Vaisya and the Sudra, the latter consisting of the mass of toilers. The three superior *varnas* constituted the exploiting sect while the Sudras were the exploited.

This division of society into *varnas* helped the dissolution of tribal society and the formation of a new order. Its development into the *jati* system with its division of labour helped the process of developing the mode of production. The proliferation of castes and sub-castes with a definite occupation or means of livelihood allotted to each is the form in which class division originated and developed in India.

This Indian edition of slavery provided the soil on which the “glorious civilisation” of India was built. We may thus amend Engels to say: “without the caste oppression and exploitation, no civilisation or culture of ancient India.”

While the division of society into the exploiters and the exploited was thus common to the slavery of Greece and Rome on the one hand and to the *varna*-caste system of India, there is a major difference between the two: the exploitation and oppression was open, naked in the Greek and Roman slavery, while it was covered up in the *varna*-caste system of India.

The revolts of the slaves against their masters was quite natural for the Greek and Roman society; the exploited and oppressed castes and sub-castes in India, on the other hand, reconciled themselves to their ‘inferior’ position in society which was sanctified by religious scriptures. This prevented a repetition of the revolts witnessed in ancient European society—revolts which led to the revolutionary replacement of slavery by a feudal society which was followed by the anti-feudal revolts out of which arose the modern bourgeois society.

As opposed to this two-stage transformation—slave to feudal and feudal to capitalist—in Europe, India remained tied to the same old order under which the overwhelming majority of the people belonged to the oppressed and backward castes. This is the essence of what Marx called India’s “unchanging” society where the village was not touched by the wars and upheavals at the higher levels, the British conquest being the first revolution.

This however does not mean that Indian society did not undergo any change between the formation of the four *varnas* and the entry of the British conquerors. Within this social and economic framework innumerable changes did in fact take place in the technique of production, bringing about improvements in agriculture and handicrafts. Trade and commerce, too, had been developing, which led to the emergence of influential firms of traders, money-lenders, etc. Down to the last days of the Mughal Empire, let it be noted, India could be compared with any other country in the world in economic, socio-cultural and political development. It is therefore not surprising that the European companies had to come to commercial and financial agreements with the Indian traders and money-lenders and sign political-military treaties with Indian princes.

These developments in the socio-economic fields made it possible in the pre-British centuries for national languages to emerge out of the old folk languages. It would therefore be wrong to dismiss new languages with their literature and culture emerging out of them as "mere communities of culture", having no relation to the evolution of nationalities in India. The rise of these "communities of culture", in fact, is an important stage in the evolution of nationalities in India.

The form in which class differentiation originally appeared in the traditional Indian society being the domination of the upper *varnas*, the culture of Indian society remained that of the upper castes. The valuable treasures contained in the classical works on the sciences, philosophy, literature and the arts came to be monopolised by the upper castes. The repository of these treasures was the language of the elite, Sanskrit.

Pali, of course, had this honour in that epoch of history when the revolt against Brahmin domination gave rise to Buddhism whose scriptures were written in Pali. Even then the spoken languages of the people were not used for literary, scientific and philosophical pursuits by the scholars.

The conquerors coming into India from the north-west in the medieval period put Persian on a high pedestal as the language of culture. Even this did not lead to the use of the languages of the people for communication of ideas. Only in the second millenium of the Christian era did some of the spoken languages start acquiring the status of written languages. This is what the emergence of the "communities of culture" signifies. It was in fact a serious breach in the citadel of *varna*-caste society, the first halting step in the transformation of the various Indian peoples into budding nationalities.

This is not to say that nationalities in the modern sense of the term had started being born, let alone their developing into modern nations. The new effervescence of people's languages as the vehicle of literary creation only indicated that the working people had entered

the arena of culture, confined so far to the upper *varna*-caste elite.

The content of the new literature, however, was only a popularised version of the earlier works in Sanskrit. The host of poets and writers that emerged in the various languages during the period of what is known as the *Bhakti movement* merely handed down to the common people the content of the earlier Sanskrit works in the simple language of the people.

The social significance of the new literary productions lay not in their popular content but in the fact that these works which had till then been the monopoly of the upper castes, were for the first time in history made available to the people in their own languages. Furthermore, most of the writers in these people's languages belonged to castes which so far had been denied the right to study the scriptures. The common people, who for centuries had been denied access to the valuable treasures of culture, were, in other words, being made partners of the upper caste elite in the enjoyment of literary works produced in their own languages.

Another feature of the new culture that was emerging was that the content being the popularisation of the scriptures and other classical works of Hindu society, it did not draw into its fold the non-Hindu sections of the society. The rise of the new popular culture therefore led to the differentiation of Indian society into a Hindu majority and non-Hindu minorities. Only with the establishment of foreign rule could a composite culture with its literature in people's languages start developing—a culture created in the people's own languages with no difference on a caste or religious basis.

It is thus clear that the emergence of what Professor Guha calls "regionalised communities of culture" was not an accident of history. The fact that these "communities of culture" emerged in the second millenium of the Christian era and not before is due to the fact that Indian society had taken the first steps towards the development of commercial and money-lending capital which required a home market wider than that existing in the traditional village society. The emerging capital however failed to develop as industrial capital, making it impossible for these "communities of culture" to transform themselves into modern nationalities.

The question is: why did capital in India, even after it reached a relatively advanced stage of development in the commercial and money-lending areas, fail to extend itself to industrial and then to agricultural production? The answer is that the rigidity of the *varna*-caste social organisation, together with the village community and the joint family system of property ownership, acted as a drag on further innovations in the techniques of production, and changes in socio-economic relations. This prevented original thinking and research; giving the Indian society the relatively "unchanging" character noted by Marx; the unending chain of the same social

organisation and cultural life being handed down from generation to generation could not be broken unless a blow was struck from outside against the combination of the caste, the joint family and the village community, which was the hallmark of Indian society for several centuries.

This stagnant social order prevented the development not only of commercial and money-lending capital into productive capital but also of the "communities of culture" into nationalities. It continued to exert its influence on social life even after the British consolidated their political and administrative power and dealt heavy blows against the old social order.

As a matter of fact, the very growth of capitalism, the rise of the bourgeois and proletarian classes, was and is coloured by the persistence of the old *varna*-caste society. Neither of the two major classes of the emerging capitalist society, the bourgeoisie and the proletariat could shake off the pre-capitalist modes of thinking and culture. The consciousness of caste, religion, tribe, kinship, family etc., dogged individuals and groups belonging to the bourgeoisie as well as the proletariat.

As the modern democratic movement gave rise to organisations and parties of the two classes, a parallel development of caste and communal organisations also took place. This was, of course, made clever use of by the British rulers in their 'divide and rule' game. It should however be noted that Indian society being divided into innumerable castes and sub-castes, as well as between Hindus and non-Hindus, it was easy for the British and following them the bourgeois-landlord ruling classes, to set various sections of the Indian people against one another. As was pointed out by the CPI (M) in its Programme:

Neither the British colonialists whose rule continued for over a century, nor the Indian bourgeoisie into whose hands power passed in 1947, delivered those smashing blows against pre-capitalist society which are necessary for the free development of capitalist society and its replacement by socialist society. The present Indian society therefore is a peculiar combination of monopoly capitalist domination with caste, communal and tribal institutions. It has thus fallen to the lot of the working class and its party to unite all the progressive forces interested in destroying the pre-capitalist society and to so consolidate the revolutionary forces within it as to facilitate the most rapid completion of the democratic revolution and the preparation of the ground for transition to socialism.

The problem of nationalities in India today being part of the question of completion of the democratic revolution, to be followed by the subsequent transition to socialism, its solution is inseparably

connected with the replacement of the class rule of the bourgeoisie and landlords by a new People's Democratic state and government in which the working class plays the leading role. This is the lesson to be drawn from the history of the formation of nationalities. It unfortunately does not emerge out of the "conceptual frame" provided by Professor Guha.

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BOOK REVIEW

STEPHEN FUCHS, *AT THE BOTTOM OF INDIAN SOCIETY*, Munshiram Manoharlal Publishers, New Delhi, pp 311.

IN DEALING with the question of the *pariah* castes, the Harijans of India, there is frequently an attempt to project them as a homogeneous group, and efforts at political mobilisation on the basis of this understanding of the Harijans against the caste Hindus, or of the tribals against the non-tribals, are a common feature. Fuchs, in his book, in dealing exclusively with the *pariahs*, has been successful in falsifying this myth. However, the criterion he uses for showing differences among the *pariahs* and between them and the caste Hindus relates exclusively to the question of 'avoidance' and 'non-avoidance'. The first major theme of the study is to bring to the notice of the reader the existence of innumerable endogamous occupational groups/*jatis* among the *pariahs* themselves, and to trace their regional roots, their differing status across regions as well as their specific characteristics. All these *jatis* have been classified by Fuchs under the broader headings of 'Tribals', 'Criminal Castes', 'Artists and Magicians', 'Low Castes and Untouchables in Village Services', 'Field Labourers' and 'Castes only Regionally regarded as Polluting'.

The second major theme that the author develops from the study is that the institution of untouchability can be done away with only by the efforts of those who have created it and practised it, and not by those against whom it is practised. The implication is that untouchability exists merely because the Brahmins and other castes of the *varna-fold* decide to practise it. This approach is similar to the one which Marx criticises as follows:

If now in considering the course of history we detach the ideas of ruling class from the ruling class itself and attribute to them an independent existence, if we confine ourselves to saying that these or those ideas were dominant, without bothering ourselves about the conditions of production and the producers of these ideas, if we then ignore the individuals and world conditions which are the source of the ideas, we can say, for instance, that during the time that the aristocracy was dominant, the concepts of honour, loyalty etc., were dominant, during the dominance of the bourgeoisie the concepts freedom, equality etc. The ruling class itself on the whole imagines this to be so.¹

In his introduction, Fuchs talks of similar *pariah* groups in

other countries. "These *pariah* groups are treated as inferior and devoid of human rights because they are outsiders, aliens, of different race and culture, often they are regarded as less than human. They live on the fringe of the society, often excluded from social contact with its members though their services are accepted as highly valuable and often necessary for the survival of the host society" (p 1). The blacksmiths of Arabia, Somaliland and in certain animal breeding societies of East Africa, a section of Aroi society in Tahiti, the Pygmy tribes in Central and Southern Africa, the South American Maku, the Jews of medieval Europe, the shepherds in Germany, later Negroes of North America, the blacks and the coloured of South Africa and presently the 'guest workers' of Germany—all these constitute *pariah* groups according to Fuchs. His understanding thus is that the existence of such *pariah* groups is not restricted to India, though only in India has social discrimination developed into the very peculiar and truly unique caste system. This obviously, however, is too *simplest* a way of looking at caste which avoids going deep into the complexities of the system, reflected as it is in the dual oppression of class and caste within the inner logic of production and exchange that has existed in India.

Fuchs, in attempting to establish that untouchability (on the basis of 'purity' and 'impurity') is the main yardstick for understanding social discrimination against the *pariahs*, gives various examples to show the disjunction between economic status and ritual ranking.

Fuchs states about the weavers, for instance: "It is perhaps significant that weaving and leather working often go together and leather workers change into weavers and vice versa. *Both castes are employed as village watchmen* whose task is to skin dead cattle. ... And since working in leather is so objectionable to the Hindu mind, the weaver too suffers the same disabilities" (p 172). Then, "the drummers, musicians, actors, jugglers and acrobats", who earlier provided the land-owning aristocracy with entertainment, are now forced to look out for other employment because of the infiltration of radio and television, cinema etc. They are obviously landless labourers. Fuchs also gives the example of "groups of field labourers who once belonged to respectable castes, but through improvidence, misfortune or lack of enterprise and hard work, lost their land and were forced into casual labour or permanent field service. These people have largely retained their former caste status" (p 251). "On the other hand, it was even in the past possible for some field labourers, by sheer thrift and hard work, to acquire land and become cultivators or at least tenants. This economic progress resulted not seldom in a rise of their social status. The section which had thus risen economically often severed its connection with the less fortunate and enterprising caste fellows, and formed a separate group, often adopting a different name also by improving its economic condition

and by strict observance of the Hindu rules and regulations concerning food and social conduct. This upper fringe of a servile caste was gradually and after generations able to attain a respected status in Hindu society" (p 251).

By overplaying factors like eating habits, drinking, sexual customs, marriage rules and 'impure' occupation, Fuchs tries to imply that those who are willing to abide by the values as laid down by the Brahmins (which differ across regions) may find their way up the ladder, leaving behind their *pariah* status. The author has missed out the link between economic status and ritual ranking because of making the same mistake of projecting this claim to higher status as a matter of decision only and not bringing to the fore the important economic factor involved in the process of mobility. Fuchs himself writes at the beginning: "In many places where they try to assert their Human Rights they are put down by the Caste Hindus, and many atrocities are committed to instil fear in them and to exterminate any hope in them for an improvement of their lot" (p 4). He does not explain what these "human rights" are. Right to land, right to minimum wages, right to fight against eviction—these are the rights at issue. Does Fuchs mean these when he refers to human rights? Are denials of these rights through force (mass killing of the *pariahs* is not so uncommon a feature of Indian society) only to be interpreted in terms of resistance to granting *higher status* to the *pariahs*? Are struggles over these rights simply to be seen as a challenge to the institution of untouchability or are they attacking something more fundamental, i.e., land control? If Fuchs is of the former understanding then he fails to explain why subjects consent to ruling class definitions of social reality.

What are the constraints then in his analysis? There are two points that Fuchs makes. One is explicit, where he states: "The situation of the untouchables has changed much for the better in modern times. Distance pollution is no more practised, public conveniences are only partly denied to them, and many agencies extend economic and *moral* assistance to them. But the basic disabilities still prevail, and the untouchables themselves still suffer from mental and moral defects resulting from their social degradation" (p 4). To blame the victims for their social inferiority is like reproducing the inversion between the subject and object which is a universal structure of dominant ideologies which confuse effect with cause.

Another trend that emerges from the description of the various *jatis* is the divergence of the groups from their traditional occupation, a factor that had played an important role in the explanation of the concept of untouchability (pp 6-12). In many cases therefore *pariah* groups have been able to achieve the status of a pure caste. However it is seen that the majority of them are agricultural labourers, urban unorganised workers or poor peasants. A question which obviously

arises is the following: though an agricultural labourer may still be regarded as an impure caste and a household servant or a boatman may be considered as a pure caste (sometimes out of sheer necessity since 'avoidance' in such a case would be impossible), does that make a significant difference in their economic status? What, in other words, is the significance of 'untouchability' in class composition and class status? Questions like these, however, are not even raised by Fuchs.

The study also reveals that as a member of a group enters the industrial economy of the modern towns, castes lose most of their traditional functions. It also shows, as Kathleen Gough in her study of caste in South India states: "When villagers state that one caste is higher or lower than another, they refer to ritual rank whether or not this coincides with greater wealth or political authority. Traditional ritual rank was in fact almost invariably supported both by wealth and by political power. *Discrepancies did however exist.*"² Gough logically develops this to the point that "with the extension of cash purchasing power to the lower castes and introduction of markets into the village, many economic transactions now bear little or no relationship to caste."³ Therefore, "it seems logical to conclude that such economic and class conflicts whatever their outcome will in future increasingly weaken the identities of castes."⁴

In spite of the fact that some interesting findings are incorporated in the study, Fuchs sidesteps basic issues by confining his analysis within a terrain where he can talk of 'Human Rights' and make the abolition of untouchability dependent solely on the willingness of those who practise it. He has consciously subsumed class formation under caste structure.

It is rather unfortunate that not too many attempts have been made by sociologists whose major contribution has been in the study of caste in India, to identify the historical and material roots for the four-fold classificatory *varna* scheme on which the present-day caste system rests. Fuchs disappoints us by restricting himself to a purely functional analysis and a voluntaristic approach to the study of the concept of untouchability. He ignores its development over time and space, let alone achieve the level of complexity of analysis which Gramsci outlined as the task of sociology:

If it is true that man cannot be conceived of except as historically determined man—i. e., man who has developed, and who lives, in certain conditions, in a particular social complex or totality of social relations—is it then possible to take sociology as meaning simply the study of these conditions and the laws which regulate their development? Since the will and initiative of men themselves cannot be left out of account, this notion must be false.⁵

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- 1 Karl Marx, *Capital*, London, 1967, Vol. 1, p 82.
- 2 Kathleen Gough, "Caste in Tanjore Village", in E P Leach (ed), *Aspects of Caste in South India, Ceylon and North-West Pakistan*, Cambridge, 1971, p 51.
- 3 *Ibid*, p 33.
- 4 *Ibid*, p 59.
- 5 Antonio Gramsci, *Prison Notebooks*, London, 1973, p 244.

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